FINANCIAL TIMES

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WORLD NEWS

Israeli police in clash at mosque

Israeli police clashed with stone-throwing Palestinian protesters on Jerusalem's Temple Mount injuring at least 70, while the army killed another Arab in Gaza City.

Tear gas wafted into Al Aqsa mosque and demonstrators outside burned Israeli flags and beat a policeman unconscious, witnesses said.

N-probe widens

Bonn officials and criminal investigators in several countries joined an inquiry into possible breaches of the Non-Proliferation Treaty by nuclear transport company Transnuklear. Back Page

Fall-out stations

The Government is to announce plans next week for 80 monitoring stations to track fall-out in the event of a nuclear leak.

Argentina shooting

Army unrest resurfaced in Argentina as troops loyal to President Raul Alfonsin were involved in a shooting incident following orders to arrest Lt Col Aldo Rico, leader of last Easter's rebellion. Page 2

Road deaths rise

A total of 1,400 people died in road accidents in Britain in the third quarter of last year – 3 per cent more than the corresponding period in 1986.

Divers honoured

Five Royal Navy divers who were recalled from leave to search for victims of the Zeebrugge ferry disaster are to be honoured for their courage.

Meningitis victim

A 66-year-old woman from Bridgend died from meningitis. It was the first fatality in Wales during the current outbreak.

Arms cache found

Three men were remanded in custody after the seizure of 61 rifles, 30 pistols and 150 grenades in County Armagh, Ulster.

Brezhnev man jailed

The late Leonid Brezhnev's private secretary has been jailed for nine years for taking bribes while working for the late Kremlin chief.

Krushchev call

A Moscow journal published a call for Nikita Khrushchev to be reburied with full honours with other leading figures at the Kremlin wall.

Magnus Pyke attacked

TV scientist Dr Magnus Pyke was punched and tied up by a raider at his London home.

16-wicket debut

Teenage Indian leg-spinner Narendra Hirwani became only the second bowler in Test history to claim 16 wickets in a debut match as India beat West Indies.

Top marks for 8½

Producers and critics taking part in the European Year of Film and Television voted Federico Fellini's 8½ best European *movie of* the last 30 years.

Fairway to heaven

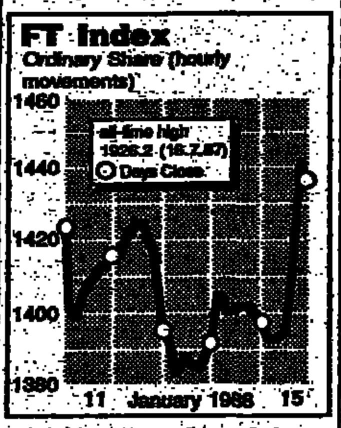
US golf fanatic Martin McDermott loved Ireland's Ballybunion course so much that he had his body flown over to be buried near the first tee.

BUSINESS SUMMARY

Tax cuts could total £5bn

CHANCELLOR Nigel Lawson may be able to cut taxes by £4bn to £5bn and reduce his borrowing target to zero in the March Budget because of higher-than-expected government revenues. Back Page

EQUITIES rose in London on news of the reduced US trade deficit, with the FT Ordinary



Index gaining 38 points to close at 1,436.7, up 12.2 on the week. Stock market, Page 12

CONFIDENTIAL Recoveries, Hong Kong creditors group, obtained a court order preventing full details of Thursday's vote on Nigeria's commercial debt rescheduling from being divulged. Back Page

TAKEOVER bids involving novel or highly leveraged financing methods might be permitted without full Monopolies Commission scrutiny under the revised mergers policy. Back Page

BARCLAYS, second-largest UK bank, is selling its Californian retail banking business to leading California bank Wells Fargo for $125m (£70.3m). Back Page

MANUFACTURERS Hanover, leading New York bank suffering from Third World debt exposure, is to cut 2,500 jobs and make a $117m (£65.8m) restructuring charge against fourth-quarter profits. Page 10

GRAND Metropolitan, UK drinks group, escalated its battle with Canadian drinks group Seagram for French cognac house Martell with a final offer worth FFr4.57bn (£457m). Page 8

ASSOCIATION of British Insurers said new premiums for life and pensions business rose by a quarter to £12.16bn last year. Page 4

ZINC producers in western Europe increased their prices from $860 (£484) to $890 a tonne. Page 10

DUTCH Government plans to rescue aircraft maker Fokker are being held up by the European Commission. Page 10

RONALD LI, former chairman of Hong Kong's stock exchange, was committed for trial on charges of accepting an unlawful advantage from the local subsidiary of leading Japanese construction company Kumagai Gumi. Page 3

CERUS, French holding company of Carlo de Benedetti, is expected to announce next week the acquisition of a large minority shareholding in financial services group Dumenil-Leblé. Page 10

HARRIS Queensway, furniture and furnishings group, sold its paint and wallpaper retail chain *Harris Home Charm* for £7.5m cash to stores group A G Stanley. Page 8

TRUSTEE Savings Bank Group reported annual pre-tax profits of £275.5m in its first full year since flotation in September 1986. Page 8

MARKETS

DOLLAR

New York lunchtime:
DM 1.68
FFr 5.665
SFr 1.37175
Y130.45
London:
DM 1.679 (1.637)
FFr 5.6625 (5.53)
SFr 1.372 (1.3355)
Y130.4 (126.7)
Dollar index 95.1 (93.3)

US LUNCHTIME RATES

Fed Funds 6$\frac{13}{16}$%
3-month Treasury Bills: yield: 6.06%
Long Bond: 100¼ yield: 8.85%

GOLD

New York: Comex Feb latest $482
London: $481.75 (482)

STERLING

New York lunchtime $1.77675
London: $1.777 (1.819)
DM 2.9825 (2.9775)
FFr 10.0625 (10.06)
SFr 2.4375 (2.43)
Y231.75 (230.5)
Sterling index 74.7 (75.2)

LONDON MONEY

3-month interbank: closing rate 9% (8$\frac{15}{16}$)

NORTH SEA OIL

Brent 15-day Feb (Argus) $16.55 (same)

STOCK INDICES

FT Ord 1,436.7 (+38.0)
FT-A All Share 909.36 (+2.1%)
FT-SE 100 1,786.7 (+43.3)
FT-A long gilt yield index: High coupon: 9.61 (9.7)
New York lunchtime DJ Ind Av 1,956.84 (+50.78)
Tokyo markets closed

Chief price changes yesterday: Back Page

Austria Sch22; Bahrain Din0.650; Bermuda $1.50; Belgium BFr48; Canada C$1.00; Cyprus C£0.75; Denmark DKr9.00; Egypt E£2.25; Finland Fmk7.00; France FFr6.50; Germany DM2.20; Greece Dr100; Hong Kong HK$12; India Rup15; Indonesia Rp3,100; Israel NS3.50; Italy L1600; Japan Y600; Jordan Fils500; Kuwait Fils500; Lebanon $L125; Luxembourg LFr48; Malaysia Rin4.25; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Philippines Pes20; Portugal Esc100; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta125; Sri Lanka Rup30; Sweden SKr9.00; Switzerland SFr2.20; Taiwan NT$65; Thailand Bht50; Tunisia Din0.800; Turkey L500; UAE Dh6.50; USA $1.00.
SELLING PRICE IN IRELAND 60p

Dollar and shares rise sharply as US trade deficit falls

BY OUR FOREIGN AND FINANCIAL STAFF

THE DOLLAR and share prices soared in hectic trading on world financial markets yesterday after the release of official figures which showed that the US trade deficit had fallen to $13.22bn (£7.45bn) in November from October's record level of $17.63bn.

Ten minutes after the figures became available the dollar had gained 4 pfennigs and 4 yen in frantic currency market trading. Share prices took longer to react but after an hour the FT-SE 100 Share Index had risen by 33.5 points to 1,753.2. It closed 43.3 points up at 1,786.7.

In New York the Dow Jones Industrial Average jumped more than 50 points in the first hour of trading and then stabilised. The index stood at 1,967.67, up 51.56 points, at mid-session, but still well below the 2,051.89 close last Thursday before the market suddenly plunged 140 points 24 hours later.

The US Commerce Department reported that the trade deficit dropped from October's record $17.6bn to $13.2bn, thanks largely to continuing strength in US exports.

The White House, which has sought vainly for six months for signs of a turnaround in the trade deficit, welcomed the improvement and dismissed the October record as an "aberration".

Other US officials were more cautious. The US Commerce Secretary, Mr William Verity, said that the 1987 trade deficit would still be a record - at least $170bn.

Administration officials, however, pointed to other encouraging economic news yesterday, reporting that wholesale prices dropped a surprising 0.3 per cent in December to take the gain for the year to a modest 2.3 per cent. Industrial production rose 0.2 per cent in December.

US exports increased 9.4 per cent to a record $23.8bn in November. This was seen as firm evidence that the cheaper dollar had boosted American competitiveness in world markets. By contrast, imports declined by $2.4bn, or six per cent – the largest October-to-November decline since 1983, including a drop of $1.5bn in imports of manufactured goods.

The lower import level hinted that US consumer spending, which has powered the five-year-old recovery in the US, may be slowing.

The deficit with Japan fell sharply to $4.85bn, down from $5.86bn in October. The trade gap between the US and western Europe narrowed to $2.41bn compared with $3bn in October. The deficit with Canada, the US's largest trading partner, dropped to $1.25bn ($1.33bn).

Even the deficit with South East Asian, newly developing countries, such as South Korea and Taiwan, fell. Washington has attacked both countries for their aggressive trading practices and undervalued currencies, but the shortfall with Korea narrowed to $760m ($1.02bn) and with Taiwan to $1.21bn ($1.78bn).

The trade figures dominated

Continued on Back Page
Too good to be true, Page 2; Editorial comment, Page 6; Lex, Back Page

US to withdraw forces from key base in Spain

BY TOM BURNS IN MADRID

THE US yesterday bowed to pressure from Spain's Socialist Government and agreed to withdraw its forces from Torrejon Airbase near Madrid within three years, clearing the way for a defence pact between the two countries.

The agreement, after two years of talks, is the first withdrawal of US forces from an allied country since spring 1966 when President Charles de Gaulle of France severed military links with Nato.

The US will withdraw the 72 fighter-bombers of its 401st Airwing and 3,000 to 4,000 servicemen from Torrejon, which has the longest landing-strip in Europe and which the US has used since 1953.

The US will be allowed to keep forces at two other Spanish airbases and at the strategically important Rota naval depot.

The agreement is a political victory for Mr Felipe Gonzalez, Spain's Prime Minister.

He had insisted on the withdrawal from Torrejon as the price the US would have to pay for use of other military facilities in Spain.

At the time of the Spanish referendum on continued membership of Nato, in 1986, Mr Gonzalez called on voters to keep Spain in the alliance but promised there would be a substantial cut in the US military presence.

The withdrawal from Torrejon, which the US has strongly resisted, will cost hundreds of millions of dollars, although the eventual amount will depend on relocation.

Under recent law Congress has stipulated that the US will not pay for the relocation of the airwing in Europe.

Mr Francisco Fernandez Ordonez, Spain's Foreign Minister, said the country would continue to be a loyal, constructive ally of the US and that the new agreement would be stable, balanced and mature.

It will last for eight years, compared with five years for previous bilateral pacts, and is likely to be signed by May 14, the present agreement's expiry date. Talks will begin in Madrid on February 3.

A joint statement said there would be military or economic *aid in credits and grants in the* new agreement and that educational, cultural, scientific and technological co-operation, previously part of bilateral pacts, would form part of a seperate agreement.

In recent years Spain had been receiving well under the $400m (£219.9m) a year in soft credits for military purchases that the bilateral pact had allowed for, and direct grants amounted to less than $15m a year.

The chief mission of the F-16s is to cover the Greek-Turkish military theatre. The 401st Airwing is headquartered in Spain but two of its three squadrons are stationed at forward bases, in Italy and in Turkey.

Mortgage cuts helped reduce inflation rate last month

BY RALPH ATKINS

MORTGAGE RATE cuts helped reduce Britain's annual inflation rate in December to its lowest level for 12 months, but an upturn is expected later this year.

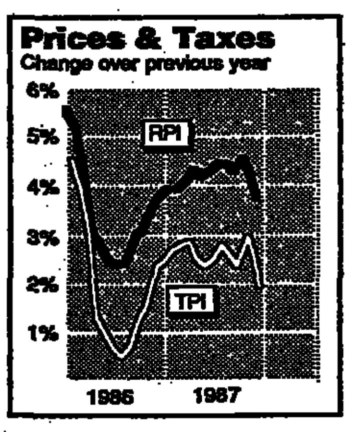
The Index of Retail Prices fell 0.1 per cent last month, pushing the annual inflation rate down to 3.7 per cent, the Department of Employment said yesterday. The figure compares with 4.1 per cent in November and a 1987 peak of 4.5 per cent in October.

December's decrease in the annual rate, the largest fall since April 1986, was due mainly to interest rate cuts in the wake of October's stock market crash. Housing costs, including mortgage repayments, fell 1.6 per cent in December.

The figure was slightly better than forecasts by most independent economists but matched the Treasury's prediction of an inflation rate of less than 4 per cent by the end of last year.

However, inflation is likely to rise this year as earnings continue to increase and push up unit labour costs. Possible interest rate increases, due to currency movements, could also push the index upwards.

Figures published earlier in the week showed an acceleration in the pace of earnings growth in November to 8¼ per cent a year. This suggests the gap between earnings and prices growth is widening and could reawaken fears of overheating in the economy.



However, many independent economists are confident that relatively strong growth in the economy, combined with productivity increases, will moderate the expected upturn in inflation. The Government is predicting that inflation will rise to a peak of 4.5 per cent by the end of the year.

Mr Norman Fowler, the Employment Secretary, yesterday urged wage negotiators to note the current low rate of inflation. He said modest settlements were vital to the success of the Government's economic strategy and to further cuts in unemployment.

"If taxes and National Insurance charges are taken into account, gross earnings need only to have risen by 1.9 per cent last year to have maintained living standards," he said.

December's figures show price falls for motor vehicles and petrol. There were significant increases in seasonal food, clothing and footwear prices but prices for leisure services, alcoholic drinks, fuel and lighting went down.

The all-items Index of Retail Prices stood at 103.3 (Jan 1987=100) in December compared with 103.4 per cent in November. The Tax and Price Index, which takes into account taxation as well as prices, was set at 101.4 (Jan 1987=100) compared with 101.5

Latest statistics show that Britain's inflation rate of 4.1 per cent in November was above average among countries in the Organisation for Economic Co-operation and Development. In the same month, the inflation rate was 1.0 per cent in Germany, 0.4 per cent in Japan and 4.5 per cent in the US.

CONTENTS

Tories survive revolt over secrets reform

BY TOM LYNCH

THE GOVERNMENT yesterday survived the biggest Conservative revolt of this parliament when it defeated a backbench attempt to reform the Official Secrets Act.

However, even supporters of the Government's stance were critical of its unprecedented decision to impose a three-line whip on a private member's bill. Nineteen Tories voted against the Protection of Official Information Bill, which was defeated by 271 votes to 234 – a majority of 37. Including abstentions, at least 50 members rebelled.

The size of the Tory revolt was matched by the remarkable number of Labour MPs – about 190 from a total of 229 – who turned out to vote on a Friday without whips' formal encouragement. Labour estimated that the Government's whipping had added 20 to the number supporting the bill.

The determined stance of the bill's sponsor, Mr Richard Shepherd, Conservative MP for Aldridge Brownhills, in refusing to bow to Government pressure to withdraw the measure had already secured the pledge of a White Paper on secrets reform in June.

Yesterday, Mr Douglas Hurd, the Home Secretary, promised MPs "early" legislation – interpreted as hinting at a bill to be included in the Queen's Speech for the 1988-89 session of parliament.

However, Mr Merlyn Rees, the former Labour Home Secretary who produced a White Paper in 1978, said it would be difficult for Mr Hurd to produce a bill so quickly on such a complex subject, "even if he were the Archangel Gabriel."

Mr Hurd agreed with the bill's supporters that Section 2 of the 1911 Official Secrets Act, which prohibits the unauthorised disclosure of any official *information, however trivial,* "has no defenders."

The bill proposed abolishing Section 2 and replacing it with provisions defining categories of information where disclosure would be illegal. It also proposed abolition of the offence of receiving official information, and provision of new defences for disclosure on the grounds of public interest and of prior disclosure by another.

Mr Hurd reminded MPs that a Government bill based, like Mr Rees's White Paper, on the 1972 report of the Franks Committee, had failed in 1979. He said ministers had started a "thorough and deep" review of the act in April 1987 and he appealed to MPs to wait until the Government had fully thought-out proposals to put before the Commons.

He described as "dotty" the suggestion that the Government would bring forward a "tyrannical tightening" of the Official Secrets Act. "That would mean having no regard to the Franks Report, no regard to the debate in 1979 or the debate on this bill. It would hardly be sensible for us, after all that has happened, to suppose that either house of parliament would accept such a measure."

Mr Hurd and Mr Michael Heseltine, the former Conservative Defence Secretary, who led backbench support for the Government, extended an olive branch to Mr Shepherd by assuring him that he succeeded in concentrating the Government's mind on the need for reform and in securing assurances about the timetable.

However, Mr Heseltine joined supporters of the bill in criticising the imposition of a three-line whip. He said it would give ammunition to those who accused the Government of being authoritarian and would strain backbenchers' loyalty.

In an emotional summing-up in a packed and subdued chamber, Mr Shepherd rejected the Government's arguments, indicating that his meetings with ministers – including one with the Prime Minister on Thursday – had not given him confidence in the Government's intentions.

In particular, he feared the Government would return to its 1979 proposal to leave the selection of information to be kept secret to the sole discretion of ministers. He had also sought assurances that a person accused under the new law would be able to argue that a matter was so serious that disclosure was in the public interest.

Mr Roy Hattersley, the shadow Home Secretary, rejected Mr Hurd's arguments. He said the Government's behaviour in recent secrecy *cases proved it could not be* trusted to review the law in a reasonable way.

He echoed the argument by Mr Edward Heath, the former Conservative Prime Minister, that the complex subject of official secrecy was ideal for discussion by all MPs. Mr Heath said back-benchers had more expertise on security matters than the Cabinet.

The former premier called for the 30-year rule on disclosure of cabinet papers to be eased, arguing, to laughter: "I am beginning to realise that there is a period of history through which I lived about which I shall never know the truth."

Former ministers who defied the whips and voted for the bill included Mr Heath, Mr John Biffen, former Leader of the House, and Sir Ian Gilmour.

Debate, Page 4

WEEKEND FT

GAITSKELL

At the end of the 1950s, Hugh Gaitskell warned that the Labour Party had to adapt to changing social trends in order to survive. Peter Pulzer argues that those lessons still hold true for the "Gaitskell's orphans" of today
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FINANCE

Winners and losers so far in the 1988 FT Great Investment race
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TRAVEL

Skiing in Morocco: not such an unlikely option
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PROPERTY

Women take the lead in the house building industry
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BALD FACTS

Keeping your hair on when all around are losing theirs
Page XVII

SURVEY

Personal planning for retirement and pensions
Pages XIII-XV

Pretoria eases foreign debt service rules

BY JIM JONES IN JOHANNESBURG

du Plessis: Advantages

MR BAREND DU PLESSIS, South Africa's finance minister, has further relaxed restrictions on repatriation of foreign debt principal payments.Such paymentswere stopped in 1985 by a government moratorium.

Foreign bank creditors are to be allowed to use repayments of principal caught in the net of exchange controls to buy local equity or property. Also, they may send such funds abroad through the financial rand market.

The move is the most significant in this sector for South Africa since early last year when the government reached agreement with foreign creditor banks on a three-year programme of partial debt repayment.

In September 1985, a foreign exchange crisis, exacerbated by divestment, led South Africa to re-introduce a dual currency system and to declare a moratorium on repayment of principal(but not interest) on $14bn of maturing short-term debt.

At current exchange rates, foreign banks would stand to lose about one third of the value of their payments if they were to send their funds abroad through the financial rand. Yesterday afternoon, before the minister's announcement, the commercial rand was quoted in Johannesburg at $0.51 and the financial rand at $0.33.

Foreign creditors will be obliged to convert their foreign currency service receipts into rands at the commercial rand exchange rate to buy South African assets. They will only be allowed to sell them to other non-residents at the financial rand exchange rate.

Any conversion will be irreversible and foreign creditors no longer entitled to further repayments in terms of debt repayment agreements. Even so, the new arrangement has the advantage of allowing the banks to repatriate blocked interest payments immediately.

For South Africa, the advantage is that repatriation through the financial rand does not involve a loss of foreign exchange. Existing loan rescheduling agreements involve repayment through the current account of the balance of payments.

Angolans 'battle' 6,000 S Africans

ANGOLA said yesterday its troops were fighting 6,000 South African soldiers, backed by artillery and armoured vehicles, around the strategic south-eastern garrison town of Cuito Cuanavale, Reuter reports from Luanda.

The Defence Ministry, quoted by the official Angolan News Agency, said "violent clashes" were taking place east of the town, the Angolan government's main forward position in Cuando Cubango province.

South Africa announced in December it was withdrawing its forces from southern Angola, after one of its biggest military interventions in the country's 12-year-old civil war.

Angola's government alleges that South African troops are still deep inside Angola, attacking government positions and providing support for Unita movement rebels led by Mr Jonas Savimbi. Angola claims the South Africans remain in spite of a UN Security Council resolution that callsfor an immediate South African withdrawal.

In Pretoria, the South African army said: "These claims appear to be part of Angola's concerted efforts to divert world attention from Unita's much publicised successes recently. South Africa's position on Angola has been repeatedly explained and therefore the army has no further comment," he added.

The fall of Cuito Cuanavale to South African troops or Unita would be a big blow to the Angolan government, which has fought the rebels since Angola gained independence from Portugal almost 13 years ago.

The garrison town has been shelled and bombed for the last 10 days. It has one of the best airfields in the region and is near Unita strongholds.

The government said this week that the assault on Cuito Cuanavale, about 200 miles from the Namibian border, was to help South Africa establish a corridor of control deep in central and north Angola.

War-torn Mozambique expects faster growth

BY VICTOR MALLET

MOZAMBIQUE, although devastated by an unrelenting civil war, is expecting further economic growth this year as it pursues a radical programme of reform supported by western donors, according to Mr Abdul Magid Osman.the Finance Minister.

Officially Marxist-Leninist, Mozambique has followed the Soviet Union in emphasising the importance of reforms to its centrally planned economy. State paternalism, Mr Osman said in London on Thursday night, was on the way out.

"I think we have at least managed to change the mentality of the people," he told a news conference. "The people have to take care of themselves. They have to fight for it if they want to live better... We have to give more freedom to enterprise."

Mr Osman predicted that Mozambique's real gross domestic product would grow 6 per cent in 1988, after growth of 4 per cent last year and an annual decrease of 8 per cent between 1980 and 1986.

Mozambique is entering the second year of a recovery plan backed by the International Monetary Fund and the World Bank, and the months ahead will be marked by further austerity in the form of reductions in consumer subsidies.

The performance of industry and small farms has improved dramatically, but progress is overshadowed by famine and by the war against the rebels of the Mozambique National Resistance. Military spending devours well over a third of the budget.

While in Britain, Mr Osman is hoping to persuade the government to follow Italy and allow Mozambique to pay interest on its bilateral debt at concessional rates as low as 1.5 per cent. With export earnings of only $85m in 1987, Mozambique's present obligations on the servicing of its total $3.2bn foreign debt are unmanageable.

Iran poised for big attack on Iraqi front

By Our Middle East Staff

IRAN said yesterday its forces were poised to launch a ground offensive against Iraqi defensive positions along the full length of the war front.

Mr Ali Akbar Hashemi Rafsanjani, Speaker of Iran's Parliament and chief war spokesman, indicated that the Islamic Republic may have abandoned any restraint exercised recently out of respect for Syria's diplomatic initiative aimed at bringing about a dialogue between Tehran and the Gulf Co-operation Council.

Iran started a large-scale mobilisation two months ago and is reckoned to have massed several hundred thousand men on the southern front near Basra.

"Most Iraqi provinces from Duhok (on the Turkish border) to Fao (on the Gulf) are exposed to attacks by our forces," Tehran Radio quoted him as saying yesterday at the Friday prayer meeting at the university.

Iran has agreed "in principle" to talks with the GCC – which groups the conservative Arab states of the region – a senior official in the United Arab Emirates said this week.

In his address, however, Mr Rafsanjani warned them to stop backing President Saddam Hussein of Iraq and "come to the side of justice before it is too late".

At the same time renewed momentum in the tanker war continued to build up as Iranian gunboats raked the Igloo Espoo, a Norwegian liquid petroleum gas carrier, off the coast of Dubai.

The 13,524-tonne vessel was carrying a highly inflammable cargo of vinyl chloride chemicals from Dubai to South Korea. But a spokesman for Havtor Management A/S, the company managing it, said the engine room had been holed in two places but a fire had been, extinguished. Two members of the crew were slightly injured.

The attack followed two overnight Iraqi attacks on shipping along the Iranian coast.

Syria urges Genscher to condemn Israel

WEST GERMAN Foreign Minister Hans-Dietrich Genscher began a visit to Syria yesterday as Damascus urged a firm European stand in support of a Middle East peace conference, Reuter reports from Damascus.

Bonn downgraded its relations with Damascus after Syria was implicated in a bomb attack in West Berlin.

On arrival Mr Genscher said: "We highly admire President Hafez al-Assad's role in the region and it is important to exchange views with Syria on the Middle East conflicts."

He said discussions would cover Middle East issues, the Iran-Iraq War and other topics.

West German officials said Mr Genscher would discuss efforts to free foreign hostages in Lebanon, including a West German.

Syrian Foreign Minister Farouq al-Shara said he would tell Mr Genscher Europe should adopt a clear and specific stand condemning Israeli policy in the region and should press Israel and the US to accept a Middle East peace conference.

Mr Shara said the visit was important in view of West Germany's role in conducting a dialogue between East and West.

Bonn also chaired the European Community and Mr Genscher could speak for it on the Middle East and Gulf War issues.

Anthony Harris puts a damper on euphoria over the US November trade figures

US trade results 'too good to be true'

STATISTICAL analysts, who will tell you that it is no colder in winter than in summer, seasonally adjusted, usually throw a normative wet blanket over the news. However, the US November trade figures have them excited.

"This looks like the turning point," says a foreign trade specialist at the US Bureau of the Census. Wall Street economists sound even more confident, and with some reason. Seasonal factors would usually produce an improvement of $1bn to $1.5bn between October and November. The actual improvement in the new figures is $4.4bn, well above even the most optimistic forecasts.

All the same, euphoria is not a reliable guide to economic events. It should be pointed out at once that while the October figures were too bad to be true, the November figures may be too good to be true. Monthly pendulum swings are a normal feature of trade statistics, since the early or late arrival of a single valuable shipload can bend the trend.

There are what look like abnormalities on both sides of the November account. Exports are more than 29 per cent up on the same month in 1986. This suggests that volume growth is now in the high rather than the low teens, and only a committed optimist would conclude that this surge will be sustained through the year – though since exports are such a small proportion of total US output, apparent miracles cannot be ruled out.

The import improvement also deserves some suspicion. The figure is not only sharply down from October (which was expected), but only 10 per cent up on November 1986. If import prices are still rising at their 1986 trend rate, which is likely since the dollar was so weak until yesterday, this means an actual fall in import volume. A fall would not be too surprising for a month or two, since import inventories were reported to be getting high; but some growth seems likely to reappear before long since plant investment by foreign-owned companies is still building up, and retail sales remain buoyant.

There are two big optimistic factors to offset these doubts. First, the trade figures for November show no benefit from the sharp fall in oil prices which started in that month. Indeed, the benefit is unlikely to appear before January. Contracts take time to renegotiate, and oil tankers take even longer to cross the Atlantic; this adds up to a time lag of about two months. Lower oil prices could reduce the deficit by more than $1bn a month through the first half of 1988; the longer term depends on the oil market.

More important, the news will have its own influence on future trade figures. The dollar will be far firmer now that the October nightmare has faded, and central banks may even have a chance to cash in some of their recent intervention at a profit. A stable dollar means that the remarkable volume trends of 1987, when exports were growing more than 10 per cent faster than imports, will come through in the cash figures. This change could be worth about $2bn a month

The fact that the trade figures are turning should be no surprise to most economists; all the reputable forecasts show an improvement in 1988. What the new figures suggest is that the improvement is likely to be relatively high in the range of available forecasts, cutting the merchandise gap from its expected $170bn-plus in 1987 by $40bn or more.

US economic growth might also, for once, match the Administration's hopes. Virtually the entire improvement in exports is due to the revival in manufacturing, and the boom looks more and more reliable. The two big unknowns are whether there is enough capacity to keep the growth rate up, and how consumers will behave.

Yesterday's rise in the dollar in response to the improvement in the US trade deficit in November will provide only a brief respite for the US currency, a leading academic economist said yesterday,reports Philip Stephens.

Mr Rudiger Dornbusch, Professor of Economics at the Massachussetts Institute of Technology, said reducing the US current account gap to a sustainable level would require a further 15-20 per cent devaluation in the dollar's real, or cost-adjusted, exchange rate.

That in turn might imply substantially larger devaluations in nominal terms against the Yen and the D-mark, with a depreciation against the Japanese currency of perhaps 30 per cent.

Speaking in London at a meeting organised by the Centre for Economic Policy Research, Mr Dornbusch said that the fall in the dollar's value since 1985 would reverse only perhaps a third of the US deficit.

The impact on the trade position of the dollar's earlier over-valuation had been exacerbated by a number of structural changes in the world economy – the Latin American debt crisis, the rapid industrialisation of countries like South Korea and Taiwan and shifts in US consumer preferences.

Those factors, combined with the ability of Japanese exporters to hold down their prices on the US market, meant that a combination of a further dollar and substantial reductions in the US budget deficit would be needed to close the trade gap from 1988 onwards.

Bush secures decisive Michigan victory

BY LIONEL BARBER IN WASHINGTON

Bush: legal challenge

AMID walk-outs, lock-outs and general chaos, Vice President George Bush has scored a potentially decisive victory in Republican presidential voting in Michigan.

With most of the votes tallied, Mr Bush appeared yesterday to have won just under two thirds of the delegates chosen for a state party convention which will select Michigan's 77 delegates to the Republican national convention in New Orleans in August.

Mr Bush's Republican rivals - the former television preacher Mr Pat Robertson and Congressman Jack Kemp of New York - finished a distant second and third respectively. But their supporters intend to mount legal challenges to the selection rules which favoured the Vice President.

Michigan is the first state to start voting in the Republican presidential campaign. Yet the internecine warfare over delegate selection rules waged between supporters of Messrs Bush, Kemp, and Robertson has destroyed local hopes that the state could be a trend-setter in voting this year.

On Thursday night, Kemp and Robertson backers set up their own rival or "rump" gatherings of local Republican officials. The tallies in these two dozen meetings were not included in the overall balloting.

At one meeting, at Elmer's Steak Pit in a Detroit suburb, Bush supporters, included the Vice President's son Marvin, claimed they were ejected by the Kemp-Robertson camp. One leading Republican described the scenes as "the equivalent of Beirut."

The three other Republican presidential candidates, Senator Robert Dole of Kansas, Mr Alexander Haig, the former US Secretary of State, and Pierre Du Pont, a former Delaware governor, chose not to take part in the Michigan contest. Senator Dole, viewed as the chief rival to the front-runner, Mr Bush, is judged to have benefited by focussing his energies on the first clear-cut vote next month in Iowa where is leading the Vice President in local polls.

However, the Dole campaign took a blow yesterday when a top campaign aide stepped down amid controversy over his business activities.

Mr David Owen, a long-time Dole backer, served as a consultant to a blind trust of the Kansas Senator's wife, Elizabeth. A real estate deal involving the trust has been the subject of press scrutiny.

Central America waits on Nicaragua

BY DAVID GARDNER IN SAN JOSE, COSTA RICA

THE SUMMIT of five Central American presidents, called to decide the fate of the peace plan they agreed last August, opened in an atmosphere thick with mutual recriminations yesterday. But all hinged on new concessions which Nicaragua's ruling Sandinistas might be prepared to make.

President Daniel Ortega, though expected to reply to the criticism aimed at Nicaragua over the past week by Washington and its allies in the region, did not reveal on arrival here what, if any, proposals he planned to make.

There have been indications that the Sandinistas may be willing to negotiate a ceasefire directly with the US-backed Contra rebels, which they have always said they would never do and which the peace agreement does not oblige them to do.

On Wednesday, President Oscar Arias of Costa Rica, the author of the peace accord, called in a letter to Mr Ortega for "more audacious and specific actions to achieve a ceasefire" in the region's civil wars. This was a clear attempt to push the Sandinistas beyond the letter of their commitments.

Senator Christopher Dodd of the US, who has led Congressional opposition to further US money for the Contras, said that Nicaraguan Vice-President Sergio Ramirez informed him this week in Managua, "we haven't made a final decision yet" on face-to-face talks with the rebels.

According to Mr Alfredo Cesar, a senior Contra leader, President Vinicio Cerezo of Guatemala is likely to put forward a plan, proposed by Nicaragua's internal opposition parties, for tripartite talks among themselves, the Sandinistas and the Contras, to start in Costa Rica after the summit.

Mr Ortega said all five states had mandated an International Verification Commission – made up of the Contadora Group nations, the UN and the Organisation of American States – to decide this. He then read out its generally positive conclusions on Nicaragua.

The commissions's findings have been circulated to news media in Washington, and conclude that, after Costa Rica, the region's only traditional liberal democracy, Nicaragua has complied most extensively with the agreement's democratisation and peace measures. Honduras, from where the Contras wage their war on Nicaragua, had complied least, according to the report.

US rejects Soviet call on SDI

THE US yesterday rejected a Soviet arms proposal calling for compliance with the anti-ballistic missile treaty, saying it was aimed at crippling the American "Star Wars" anti-missile defence project, Reuter reports from Geneva.

Mr Terry Shroeder, US arms delegation spokesman said the Soviet offer was a "renewed attempt to achieve positions that we previously rejected".

Mr Alexei Obukhov, leader of the Soviet delegation, outlined the offer to the US team during a special negotiating session at the Soviet diplomatic mission.

He said the offer, in the form of a draft protocol, called for "compliance and non-withdrawal" for a specific period concerning the 1972 anti-ballistic missile treaty.

The ABM treaty limits anti-missile defence systems but each side may withdraw on six months' notice. Mr Obukhov said Moscow wanted the US to agree to abide by the pact for 10 years.

He said later the draft protocol called for a treaty to cut superpower intercontinental nuclear arsenals by 50 per cent.

President Ronald Reagan and Soviet leader Mikhail Gorbachev have agreed in principle to such reductions, limiting each side to 6,000 atomic warheads and 1,600 launchers.

But Mr Gorbachev has linked such cuts, Mr Reagan's arms control priority, to curbs on "Star Wars".

● A US decision to produce a new generation of chemical weapons could hurt efforts to ban all such arms, a Soviet official said yesterday.

EC probes S Korean plastic film

By William Dawkins in Brussels

TENSE trade relations between the European Community and South Korea yesterday took a turn for the worse when Brussels launched an inquiry into alleged under-pricing of plastic film exported from the Asian country.

This is the sixth anti-dumping investigation of South Korean exports to the Community opened during the past year, and comes in response to complaints by Rhone Poulenc of France, ICI of the UK, Hoechst of West Germany and du Pont de Neumoeurs, the Luxembourg offshoot of the US chemicals group. They claim that South Korean exporters of high-quality polyester film have been charging less in the EC than on their home market.

Sales of South Korean polyester film in the EC multiplied five-fold in the two years to 1986 to reach Ecu10m (£108.7m).

Zinc producers lift price $30 a tonne

BY KENNETH GOODING, MINING CORRESPONDENT

MOST OF Western Europe's zinc producers announced yesterday they were immediately increasing the price of the metal from $860 to $890 a tonne.

Finland's Outokumpu Oy led the way, quickly followed by Vieille Montagne of Belgium, the West German group Metallgesellschaft and Austuriana de Zinc, Spain's largest producer.

The major exception, Preussag of West Germany, said it would decide on Monday whether to follow suit.

The European industry last put up prices for so-called good ordinary brand zinc in November from $820.

Traders suggested yesterday that the latest increase was primarily caused by strong demand from the galvanised steel industry – by far the largest user which takes about one-third of zinc output.

Argentine troops turn out as rebel leader flees

BY OUR BUENOS AIRES CORRESPONDENT

ARMY unrest resurfaced in Argentina yesterday as troops loyal to President Raul Alfonsin were involved in a shooting incident following orders to arrest Lt Col Aldo Rico, leader of last Easter's military rebellion.

The army chief General Dante Caridi ordered 22 tanks, 12 other vehicles, and 150 men into Buenos Aires early yesterday to arrest Col Rico, but he disappeared mysteriously from the mansion where he had been living since New Year's Eve.

A few minutes after Col Rico supposedly left the mansion, journalists in the area heard shots. Col Rico's spokesman, ex-Major Ernesto Barreiro, said later Col Rico had been hurt in the shooting and forced to leave in order to protect his wife and two children.

Mr Barreiro, who with Col Rico triggered the Easter rebellion and was expelled from the army, did not say where the shots came from.

Col Rico had been imprisoned in the military school of Lemos, at Campo Mayo, 30 km from Buenos Aires, since April. He was awaiting trial by a military court for having led about 200 officers in a rebellion against their generals.

The rebellion forced Mr Alfonsin to press Congress into approving a law which exempted 400 military officers from trial for violations of human rights during the last dictatorship (1976-1983).

The rebels also demanded the ousting of the Commander in Chief, General Hector Rios Erenu, who was subsequently replaced by Gen Caridi.

The rebels have now turned against Gen Caridi and want him replaced.

Tanks with troops loyal to the Argentine government enter

Sean MacBride: Nobel peace prize winner

OBITUARY

Macbride, IRA champion of human rights

NOBEL Peace Prize winner Sean MacBride has died at his Dublin home aged 83, his family announced yesterday, Reuter reports from Dublin.

Mr Macbride won the prize in 1974 for his human rights work and had the rare distinction of also being awarded the Soviet equivalent, the Lenin Prize in 1977.

Mr Charles Haughey, the Irish Prime Minister, said MacBride had been "a statesman of international status who was listened to with respect all around the world".

Mr MacBride, honoured by both East and West as a champion of peace, began his career as a man of violence, taking arms to fight with the Irish Republican Army for independence from Britain. By 1935, he had become IRA chief of staff.

He later became a prominent jurist, Irish foreign minister and a leading campaigner for human rights.

From 1974 to 1976, he was United Nations High Commissioner for Namibia (South West Africa), which South Africa rules in defiance of the UN.

He then became chairman of an international commission on communications which was charged by the Unesco with examining the objectivity and independence of the media.

He attacked what he saw as the excessive influence and power of the rich world's media on international affairs.

Mr MacBride also helped found Amnesty International, the human rights organisation which campaigns on behalf of prisoners of conscience around the world.

In awarding him the Nobel Peace Prize in 1974, the committee praised the Irishman's "efforts to build up and protect human rights all over the world."

Lisbon prices rise at 9.4%

PORTUGUAL'S inflation rate last year was 9.4 per cent, slightly above the target of 8 per cent, the National Institute of Statistics said yesterday,writes Diana Smith in Lisbon.

Rising consumer spending, as confidence grew in Portugal's new status as a member of the European Community, and persistent monthly rises of more than 18 per cent in clothing prices despite official warnings to manufacturers made it clear by mid-year that the 8 per cent target was overambitious.

FINANCIAL TIMES

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OVERSEAS NEWS

Ex-chief of Hong Kong stock exchange charged

BY DAVID DODWELL IN HONG KONG

MR RONALD LI, the former chairman of Hong Kong's stock exchange, appeared in court yesterday charged with accepting an unlawful advantage from the local subsidiary of the leading Japanese construction company, Kumagai Gumi.

Mr Li, in black suit and red tie, stood expressionless as he was charged under Hong Kong's prevention of bribery ordinance with accepting an advantage – namely a beneficial interest in 1.1m Kumagai Gumi (Hong Kong) shares without lawful authority or reasonable excuse.

The shares, issued in the name of a former member of the general stock exchange committee at the time of the public flotation of Kumagai Gumi's Hong Kong subsidiary in May last year, were allegedly an inducement to show favour to the Kumagai issue.

Mr Li made no plea, and was committed for trial on April 14. Prosecutors for the Independent Commission Against Corruption, who arrested Mr Li on January 2, said further investigations were underway involving the charge and "other related matters". They said additional charges may be laid before the high court in April.

Mr Li's bail of HK$10m was extended, and he was asked to place travel documents with the court. He must report to the commission every week.

A total of 32 companies were floated on the Hong Kong stock exchange last year, but Kumagai's flotation in May stood out as one of the most successful. Its offer of 67m shares was more than 200 times oversubscribed. Bidders lucky enough to get shares at the issue price of HK$2.50 found they were priced at almost HK$4.50 when normal trading began on the stock market.

Many stockbrokers in Hong Kong have complained that new issues on the local market were being priced at artificially low levels, offering huge windfall gains to those lucky enough to get shares at the issue price.

The 1.1m shares referred to in yesterday's charge were issued to a Mr Zee Kwoh Kung at HK$2.50 a share – the same as the flotation price – but Mr Li is alleged to have been the beneficial owner. Mr Zee is a long-standing associate of Mr Li, sitting alongside him on the stock exchange committee.

Mr Zee was one of the committee members asked to distance themselves from the running of the exchange when Mr Li was arrested with two other stock exchange executives on January 2.

Kumagai Gumi executives were tightlipped yesterday about the charge. In theory they can be charged too, but there have been no indications that government prosecutors intend to do this. The company's share price also remained steady on the news, at just over HK$3.70.

Sri Lanka bank staff protest

BY MERVYN DE SILVA IN COLOMBO

SRI LANKA'S President Jayewardene, already besiged by terrorism and political violence in six of the island's nine provinces, now faces a challenge from trade unions with employees of four state-owned banks launching a week-long picketing campaign on Monday.

The bank employees' union is threatenting a strike if its demand for a pay rise and new terms of employment are not met. The union's secretary, Mr Gamini Seneviratne, said yesterday bank employees had been urging a revision since 1979 but the government had not followed up the report of a committee appointed by Finance Minister Mr Ronnie de Mel two years ago.

The union says Mr de Mel's budget announced increases for the public service but excluded banks. The minister met the governor of the central bank and the chairman of the four banks yesterday. The chairman of the Bank of Ceylon, the premier state bank, will have talks with the union on Monday.

Meanwhile, Sri Lanka's largest union, the Ceylon Workers Congress (CWC) whose 500,000 members can cripple the vital tea plantation sector, has given the two major state-run corporations, the SPC and the JEDB notice of a general strike in February. Their demands include a pay hike, an adjustment of allwoances in line with the cost of living index, and special allowances tied to production figures.

The CWC is an ally of the ruling UNP and its president, Mr S Thondaman is an important minister in Mr Jayewardene's cabinet. Indian Tamil plantation workers have kept out of the ethnic violence largely because of Mr Thondaman's extraordinary influence over this migrant community. Tamil militant groups, however, have made persistent efforts to infiltrate this economically strategic sector.

N Korea agent admits blowing up jet

SOUTH Korea yesterday threatened "all possible forms of retaliation" against North Korea after a young woman confessed on television she was a communist agent and had blown up an airliner with 115 people on board, Reuter reports from Seoul.

Kim Hyon-hui, 26, said she helped plant the bomb on a Seoul-bound Korean Air Lines jet on the direct orders of Kim Jong-il, son and heir apparent of North Korean leader Kim Il-sung, South Korean intelligence officials said.

One of the goals of the November 29 bombing was to discourage foreign countries from taking part in the Olympic Games in Seoul in September, they said.

The Seoul government placed its 600,000-strong armed forces on full alert and Information Minister Lee Woong-hee said North Korea "can never escape punishment, including corresponding retaliatory measures, for this barbaric terrorist act".

Defence Minister Chung Ho-yong said he had called an emergency meeting of top military commanders to discuss "all possible forms of retaliation against the enemy".

A top South Korean intelligence official said the North Korean agent boarded the doomed plane in Baghdad with a partner. They got off at the plane's next stop in *Abu Dhabi*.

The aircraft vanished a few hours later over the Andaman Sea near Burma. No bodies have been recovered.

Communists extort $1m in Philippine election

By Richard Gourlay in Manila

PHILIPPINES Communists are cashing in on next week's local elections by extorting money from candidates for safe conduct passes.

The price demanded by the banned Communist Party's umbrella organisation, the National Democratic Front, in Sorsogon province, for instance, is $12,500 for a candidate for governor, according to Mr Bonifacio Gillego, a Congressman from the region.

In return the NDF issues a pass, printed with its flag and logo, stating that the candidate is "allowed to campaign".

Estimates from Sorsogon suggest the rebels may have raised close to £1m. A similar picture, with varying prices for the passes, is emerging from other provinces in Luzon, the country's largest island.

Senior military officers have accused the NPA rebels of killing 82 candidates and party helpers since campaigning began for the 160,000 posts up for election on January 18.

Military spokesman say the NPA has never so systematically squeezed candidates. At least one field general has said he will bring charges against candidates who he can prove to have given the rebels money.

Much of the money is likely to be used to buy guns and ammunition for the 20-year long insurgency. Frequently, these arms are bought through the back doors of military camps from underpaid soldiers.

A senior Communist Party official in Manila confirmed that each region had been left to make alliances with candidates or extort money as local conditions dictated. He suggested that dealings between officials and the NPA continue after the elections, though on a reduced scale.

● An unidentified gunmen tried to kill the French Ambassador to Manila, Mr Jacques Le Blanc, late on Wednesday in what the French embassy said was a calmly planned ambush.

A gunman fired from close range at Mr Le Blanc's bullet resistant car as he left the embassy.

UK NEWS

Peter Marsh on an attempt to improve controversial drugs

Soothing tranquilliser anxieties

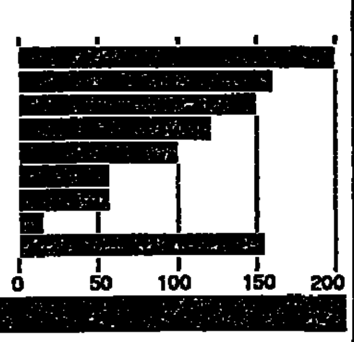
FEW PRODUCTS of the drug industry have had a greater impact on Western civilisation in the past two decades than tranquillisers. Medications to soothe the nerves are taken routinely by millions of people worldwide, with annual expenditure on these products running to roughly £1bn.

Tranquillisers, most of which are based on a class of chemicals called benzodiazepines, have also been highly controversial.

Benzodiazepines have several unpleasant side effects, one of which is to cause addiction among many who have taken them for longer than a few months. In Britain alone it is estimated that 1m people are addicted to benzodiazepines.

Bristol-Myers, the US pharmaceutical company, hopes to improve the image of the drug with a new type of tranquilliser called Buspar, which is to be formally launched in Britain next week.

World Tranquilliser Market 1986
(£m)



Source : Industry Sources

Buspar is claimed by its makers, with some support from the wider medical community, to be a much "cleaner" drug than the benzodiazepines, the best known of which are Valium and Librium, both made by F. Hoffmann-La Roche of Switzerland.

Buspar is said not to cause addiction nor to produce other alarming side effects such as drowsiness, incontinence, nightmares, libido changes and hypertension often associated with the benzodiazepines.

As a result, Bristol-Myers hopes for a good reception for the drug in Britain, according to Dr Brian Kane, managing director of the company's UK subsidiary. The medication, which can be obtained only on a doctor's prescription, is already on sale in West Germany, where it was launched in 1985, and in the US, where it became available just over a year ago.

For all the drug's technical merit, sales are unlikely to take off quickly, according to observers in the industry. Although Bristol-Myers will not discuss sales of the drug, they are believed to be running at about £25m a year, mainly in the US. That is thought to be below the company's expectations.

One marketing problem is related, ironically, to the defects of benzodiazepines. Because of the addictive characteristics of these drugs, doctors find it difficult to switch long-term users to other medications.

A person taking a Valium-type substance feels at least mildly euphoric almost immediately, while Buspar takes a week or more to have an effect. It is thought that Buspar may be less acceptable to some patients who crave an instant release from anxiety.

Another aspect is the poor image attached to tranquillisers generally. When benzodiazepines were introduced in the early 1960s, many doctors welcomed them enthusiastically as improvements on barbiturates, an older class of drugs prescribed as sedatives. Barbiturates are highly poisonous if taken in large quantities.

Only during the 1970s, after a number of big companies, including Upjohn and American Home Products of the US, had joined the rush to sell benzodiazepines did the magnitude of their side effects become clear.

There is now a general swing in the medical profession to reduce tranquilliser prescribing, according to Dr Cosmo Hallstrom, a consultant psychiatrist at Charing Cross Hospital, London. More doctors are trying to seek other palliatives for anxiety sufferers, such as counselling sessions.

Other medical experts, including Professor Malcolm Lader of the Institute of Psychiatry at the University of London, agree that Buspar should not be hailed as a wonder product. Prof Lader says, however, that the product may give doctors greater flexibility to prescribe tranquillisers for relatively short periods without fear that they may be turning people into addicts.

One of the more bullish views on Buspar comes from Ms Elizabeth Greetham, a drugs industry analyst at Eberstadt Fleming, a New York stockbroker. She believes sales of the drug will take off fairly slowly but reach roughly £200m a year worldwide by 1992.

Bristol-Myers has started what is regarded as a low-key advertising campaign to promote the drug among doctors in Britain. This is in contrast to the much more aggressive, and controversial, publicity material the company sent out on the launch of Buspar in the US. This suggested the drug was safe enough to be used by air traffic controllers suffering anxiety yet who needed to stay alert.

The advertisements were quickly withdrawn after Bristol-Myers learned that US air traffic controllers are not allowed to take any kind of *medication for fear of falling* asleep or suffering other drug-related side effects. Public Citizen, a US health care lobbying group, says that in spite of the withdrawal it wants the US Food and Drug Administration to prosecute the company for misleading advertising.

In the area of price, if nothing else, Buspar will face heavy competition. A week's supply of the drug will cost the health service about £6 a patient, several hundred times as much as the bill for standard benzodiazepine.

Substitute aerosol chemicals to be tested

BY PETER MARSH

IMPERIAL Chemical Industries and ISC Chemicals, part of the RTZ group, are joining forces in a £4.3m international effort to analyse the safety of a new class of chemicals that might become important in such applications as refrigeration and aerosols.

The chemicals are possible replacements for a group of materials known as chlorofluo*rocarbons, the use of which is* to be progressively reduced after concern about their effects on the earth's ozone layer.

Under an international treaty agreed last year, world consumption of the present generation of chlorofluorocarbons is to be halved by 1998. Production last year of the compounds, which are widely used in insulating materials, as coolants in refrigerators and in aerosols, was about 1m tonnes worldwide, worth roughly £1bn.

*The substances to be exam*ined in the research project, which involves 13 makers of chlorofluorocarbons, have similar characteristics to the existing generation of products.

The new compounds, known as HCFC-123 and HFC-134A, will probably be more expensive than the existing materials, but they are thought less likely to decompose into other chemicals in the upper atmosphere after they have been released into the air.

The present generation of chlorofluorocarbons has *destroyed sections of the ozone* layer, which is vital for shielding the earth from harmful ultraviolet radiation.

The companies joining forces on the project are Du Pont, Allied Signal and Racon of the US, Daikin, Asahi Glass and Showa Denko of Japan, Hoechst and Kali Chemie of West Germany, Akzo of the Netherlands, Atochem of France and Montefluos of Italy.

The individual companies are already working separately on how to produce the chemicals in industrial processes but *decided to co-operate in studies* to determine whether they are safe to use on the scale of the existing generation of chlorofluorocarbons.

Liberals warn of revolt against union with SDP

BY JOHN HUNT

THERE WERE strong warnings yesterday that the merger between the Liberals and the Social Democrats is in danger of failing and that a growing number of Liberals are turning against the proposal.

They came as preparations started for intensive discussions this weekend to draw up a new, tighter policy document to go before the two sides' negotiating teams on Monday.

Mr Simon Hughes, Liberal MP for Southwark and Bermondsey, will tell a Young Liberal Conference today that he is considering the possibility of standing as a Liberal/Green Party candidate if he is dissatisfied at the end of the merger process. "Other Alliances should not be ruled out," he warned.

Leading Liberals and Social Democrats felt that the commitments to Trident, abolition of mortgage tax relief and an extension of VAT, which were contained in the controversial package earlier in the week, would go. The indications were that the SDP, which had them inserted in the first place, is resigned to their omission from Monday's policy document.

Yesterday preparatory work was going on for the new document to be drawn up by three members from each side, meeting today and tomorrow.

Mr Des Wilson, former president of the Liberal Party, and Mr Edmund Dell, a trustee of the SDP, were working on policy outlines to present to today's meeting.

Mr Hughes, a unilateralist, warned that any attempt to make "provocative new changes of policy" would risk the success of the merger.

Ms Margaret Clay, general secretary of the 3,000-strong Association of Liberal Councillors, said the slightest mistake would wreck the talks and the new statement would have to stick to existing policies.

As a result of the policy debacle earlier in the week, she said, many Liberals who had been fervently pro-merger were now going to vote against it.

Mr John Pigott, chairman of ALC, said that if Mr David Steel, the Liberal leader, and Mr Robert Maclennan, SDP leader, insisted on their new ideas, they would not be credible to the membership and merger would fail.

Mr Michael Meadowcroft, the former Liberal MP who is on the Liberals' larger negotiating team, said the party seemed "to have lost confidence in the whole idea of merger." He was still worried about the commitment to Nato and the name chosen for the new party.

Meanwhile officials the Campaign for Social Democracy, led by Dr David Owen, the former SDP Leader, said they had been inundated with calls of support from SDP members who were now coming over to them.

Plea for more scope for charter airlines

By Michael Donne, Aerospace Correspondent

BRITANNIA AIRWAYS, the UK's second largest airline after British Airways, is urging a revision of Government policy to provide charter airlines with better opportunities for development at Gatwick airport.

The airline carried more than 6.3m passengers last year on holiday charter flights out of many UK airports, including Gatwick.

It believes the development of UK air transport will suffer if the Government retains its current preference for scheduled flights out of Gatwick.

Britannia intends to make its point strongly to the Civil Aviation Authority, which is responsible for establishing the guidelines for the conduct of UK air transport.

The CAA is about to issue a consultation paper, seeking the views of all interested parties, before establishing a new policy for civil aviation in the light of the merger of British Airways with British Caledonian Airways.

Mr Derek Davison, chairman of Britannia, pointed out yesterday that "with the myth of British Caledonian as a 'second force' to British Airways now laid to rest, it is vital the Government wakes up to the importance of the charter-airline sector to consumers, Britain's airports, its economy and employment.

"Britain's charter airlines, the true 'second force,' have been providing and continue to provide genuine, fare-lowering competition.

"Some 83.4 per cent of all UK residents flying abroad do so for non-business reasons and of this figure 76 per cent fly charter."

Mr Davison pointed out that the Government some time ago indicated that it preferred to see scheduled flights given precedence at Gatwick.

He said that could lead to half-empty 30-seat airliners on scheduled services being given preference at Gatwick over full 273-seater airliners on charter flights.

"Whatever vested interests lie behind such a move, they are most certainly not those of the vast majority of consumers."

Mr Davison pointed out that, out of 15.2m Gatwick international passengers in 1986, 61.5 per cent were charter passengers and 38.5 per cent scheduled travellers.

For the UK as a whole in 1986, leisure traffic was by far the dominant element in all air travel.

Mr Davison argued that the future development of charter operations out of Gatwick airport would best be served by scrapping the Government's preference for scheduled air services at that airport, and allowing the airport to develop in a natural manner, without government-imposed constraints.

He declared: "The Government's existing air transport policies have been invalidated over the years and the CAA's review could not be more timely."

Tories condemn use of three-line whip

BY TOM LYNCH

THE GOVERNMENT'S unprecedented use of a three-line whip to defeat a Conservative private member's bill was widely condemned from the Conservative benches in the Commons yesterday.

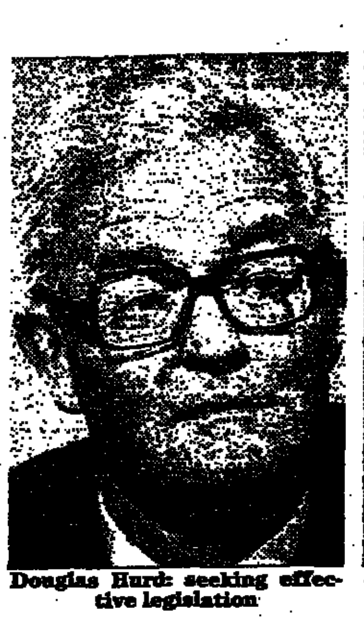
Mr Richard Shepherd, the sponsor of the Protection of Official Information Bill – aimed at reforming the official secrets law – warned MPs against being "waylaid" by ministerial arguments that only ministers should be involved in discussions on what should replace Section 2 of the 1911 Official Secrets Act, which outlaws all unauthorised disclosures of official information.

Mr Edward Heath, the former Prime Minister, said: "I want to establish firmly the principle that the Government cannot issue a three-line whip on a private member's bill."

Mr Michael Heseltine, the former Defence Secretary, who led backbench support for the Government's plea to defeat the bill, described the whipping tactic as "quite disgraceful. It can do nothing but excite those who say the Government is authoritarian and it can do nothing but stretch the loyalties of the supporters of the Government."

Sir Ian Gilmour, the former deputy Foreign Secretary, compared the three-line whip with the Government's injunctions against newspapers to stop them reporting allegations about the security services. "In both cases, the procedure is wholly misconceived, authoritarian and a sorry display of executive arrogance."

Edward Heath: challenging use of three-line whip



Douglas Hurd: seeking effective legislation

Richard Shepherd: "anxious about trusting Government"

Dr David Owen, the former SDP leader, told Tories to allow Parliament to use its common sense. He encouraged them to tell the whips to "get stuffed."

In an emotional closing speech to a packed House of Commons, Mr Shepherd rejected appeals from Mr Douglas Hurd, the Home Secretary, that he should wait to see the bill the Government has promised to produce, with a hint that that might be as early as this autumn.

Mr Shepherd said MPs were being asked to trust the Government, but after his meeting on Thursday with Mrs Thatcher "I am anxious about that concept."

He said the Government had failed to make its position clear on whether, as in its own bill, which was defeated in the Lords in 1979, it would be for ministers alone to decide what information could be kept from the public, and whether ministers were prepared to allow a defence that disclosure was in the public interest in cases of serious misconduct where the proper channels had been exhausted.

Mr Heath said experience of hardline security matters was more prevalent among backbench MPs than Cabinet ministers, and he urged MPs to support the "workmanlike" bill so that MPs could debate the matter further in committee.

He warned that legislation could not solve all the problems – it was important to ensure that the right people were recruited to the security services in the first place. Many of those in the service were "admirable," but he suggested that others were inclined to be over-enthusiastic in suspecting citizens of subversion.

Mr Heseltine urged Mr Shepherd to be content with his "substantial personal victory" in extracting from the Government a commitment to a white paper in June to be followed by a bill "at an early date" – generally understood to be a hint that it might be in this autumn's Queen's Speech.

He said success for the bill would be interpreted as a signs that the Tories were "anxious, dismayed or even worse opposed to the steps the Government has taken in upholding the Official Secrets Act."

Mr Hurd said he had tried to reassure Mr Shepherd that the Government was no longer "nursing its burnt fingers" after its 1979 defeat. Now that the Government was reviewing its position with a view to "effective, enforceable and reasonable" legislation, it would be "silly" to pronounce on its work until the whole package was ready.

He appealed to MPs to accept that Government legislation was the "orderly" way to proceed.

Mr Roy Hattersley, the shadow Home Secretary, said MPs should reject Mr Hurd's "pig in a poke" and support the bill which drew "a necessary line" between necessary security and news manipulation.

In the light of the Spycatcher affair, the special branch night raid on the BBC in Glasgow, and the injunctions against the BBC radio series on security, it was "unreasonable" to ask the Commons to trust the Government over official secrets.

Chemicals production growth rate set to slow

BY PETER MARSH

BRITAIN FACES a slowdown in the rate of growth in chemicals production this year, although output is expected to expand faster than in Western Europe as a whole.

Chemicals output in the UK is likely to increase by 2.25 per cent over the year in volume terms, compared with a growth of 6 per cent in 1987, according to the Chemical Industries Association. Annual production is currently worth about £20bn.

Mr Richard Freeman, chairman of the association's forecasting panel, said yesterday at a conference in London that in spite of the slowdown, 1988 would be a "reasonable" year for the chemicals industry.

Mr Freeman, chief economist at Imperial Chemical Industries, said that, as a result of recent restructuring and cost reductions, the UK chemicals business was in good shape to withstand any possible downturn in the world economy.

Capital investment in the industry, running at about £1.4bn a year, was expected to grow at a marginally higher rate this year than in 1987, at 4 per cent compared with 2 per cent.

Mr Freeman foresaw above-average volume growth in pharmaceuticals, plastics and inorganic materials, with a relatively low rate of expansion in dyes, fertilisers, organic chemicals and fibres.

According to the association's figures, the UK should perform better this year in chemicals than other West European countries, where average volume output in 1988 is likely to be 1.75 per cent higher than last year.

Life business buoyant

BY ERIC SHORT

NEW BUSINESS for the UK life assurance industry continues to be buoyant.

Figures issued yesterday by the Association of British Insurers showed total new premiums, both annual and single, for life and pensions business rose in 1987 by a quarter to £12.16bn from £9.78bn in 1986.

That compares with premium income growth in the previous year of 32 per cent. Thus, although the rate of growth was lower, the life assurance industry is maintaining momentum in its new business growth.

Growth in new sums assured (the level of life cover provided) rose by 12 per cent to £126bn. The lower figure reflects the very strong growth in unit-linked single premium business

The three main areas of growth for life company new business last year were endowment mortgages, self-employed pensions and unit-linked life assurance business.

However, group occupational pension scheme business continued to be dull in 1987, ahead of the changes this year which will place greater emphasis on personal provision.

The total level of new annuity business written by life companies last year fell from £2.35bn to £2.28bn, reflecting the decline in company group pension business.

Clothing plants get £1m plan

By Alice Rawsthorn

THE NEW owners of three clothing factories bought from Burton Group last week plan to invest £1m to re-equip them over the next three years, for expansion to overseas markets.

Last week Burton, the retailer, cut its final link with manufacturing by selling three surviving plants in north-east England to Mr John Jackson and Mr Harold Rose.

The plants are in Goole, Humberside, and in Guisborough and Hartlepool, both in Cleveland.

They mainly make men's clothing for multiple retailers, including Burton, in the UK and for retail concessions at US bases in Europe.

Two companies, J. R. Clothes and Alexandre of England, were formed to run the plants. Mr Jackson, who runs Centaur, a Leeds clothing company, is chairman. Mr Rose is chief executive.

All three plants will continue their present work. The new owners aim to raise output of made-to-measure suits at Goole from 1,800 to 2,200 suits a week within a year, and at Hartlepool, by introducing Alexandre of England suits.

The three plants employ 1,450 people.

Barristers link for insurance

BY NICK BUNKER

THE 5,500 barristers who practise in England and Wales have become the latest professional group to form a mutual insurance scheme to cover themselves against claims for professional negligence.

The Bar Mutual Indemnity Fund will provide up to £2m for any single liability claim, said Mr Michael Summerskill, a director of Thomas Miller & Co, which is to manage the scheme.

Rising premiums and shortages of cover available in the commercial marketplace had prompted barristers to become part of the trend among professions towards mutual insurance, he said yesterday.

In the past few years architects, solicitors and some accountancy firms similarly decided to create mutual professional indemnity schemes to cover them against liability for errors and omissions.

Barristers had to buy at least £250,000 worth of liability insurance and from traditional insurance companies or Lloyd's underwriters; now membership of the new mutual will be compulsory.

It will be run by Bar Mutual Management Co. This is a subsidiary of Thomas Miller, which is best known internationally as a manager of mutual protection and indemnity insurance clubs for shipowners.

It is due to start active operations on April 1 provided it is approved by the Trade and Industry Department.

Mr Summerskill said barristers would not necessarily see premiums fall immediately on joining the mutual.

However, in the long run the principle of running a mutual as a non-profit-making body meant premiums should be lower

Information sector warned

BY TERRY DODSWORTH

BRITISH INFORMATION technology companies suffer from a lack of resources and ought to try to increase their productive capacity and market penetration through more co-operative projects within Europe, according to National Economic Development Office.

A Nedo report stresses that UK companies face a growing threat from overseas suppliers. It says that because of an upsurge in imports, the UK ran up a £1.2bn trade deficit in the leading information technology product sectors in 1985.

According to the study, which followed interviews with 100 manufacturers of computers, computer peripherals, telecommunications equipment, radio products and automation machinery, British companies are recognised as world leaders in some specialised markets.

The competitive advantage of UK groups in these areas, however, is being eroded because foreign suppliers are adapting technologies used in mass-market production to meet demand for more customised solutions.

The report suggests that British companies should respond to the challenge from overseas by aiming to develop closer links with customers, seeking to bring new products to market as early as possible and aiming to establish volume production facilities.

It argues that original research and development leading to the introduction of new products is the best option for industry. However, because this approach is more expensive than licensing or distributing other suppliers' products, the survey says that UK groups should form collaborative ventures to help finance development.

Machinery maker expands

By Nick Garnett

THE PRIVATELY OWNED Brown construction machinery group has added to its acquisitions with the purchase of the product rights and manufacturing facilities of Broeyt, a Norwegian machinery maker.

Broeyt's activities will be transferred to a newly established company within the Brown group, but manufacturing will continue at Broeyt's site at Bryne, Norway.

The purchase, announced yesterday, increased speculation that Brown would announce soon that it has agreed to make Japanese Kobelco excavators.

Broeyt has traditionally made face shovels and excavators for mining and quarrying. However, its production has been in decline and it effectively stopped excavator production some time ago.

The Brown group is determined to become a significant excavator maker. It purchased the Hymac excavator business in the UK earlier this week.

Brown already makes a range of dump trucks in Norway and has recently purchased the Parker stone-crushing machinery business in Leicester and agreed to make dump trucks for Komatsu of Japan.

Steel use recovery confirmed

BY NICK GARNETT

THE RECOVERY in steel consumption from the recession years of the early 1980s is confirmed by the latest figures from the Department of Trade and Industry.

Consumption of steel in Britain rose from 11.34m tonnes in 1984 to 11.56m tonnes in 1985 and 11.84m tonnes in 1986.

Provisional figures for the first nine months of last year show a consumption of 9.15m tonnes, indicating a figure of about 12m tonnes for the full year.

The figures are based on estimated domestic deliveries and imports and a voluntary survey of about a third of steel-using companies.

Pilkington to lift prices for float glass products

BY MARTIN DICKSON

PILKINGTON, the glass manufacturer, yesterday announced that it would raise its prices for float glass products by about 8 per cent in Britain and between 6.5 per cent and 8 per cent in most other European markets. The increases will be effective from the beginning of April.

The company last increased prices last May, when there was a 12 per cent rise.

However, Pilkington said that, even with the latest increases, glass prices in Britain would be about 9 per cent below the level of 1981 after taking into account retail price inflation over the period.

The early 1980s saw a serious price war among European manufacturers seeking to gain market share at a time of excess manufacturing capacity.

Over the past two years supply and demand have become better balanced, allowing manufacturers to increase prices sharply.

The increases had a powerful effect on Pilkington's financial performance and its sharply rising profits helped it to resist a bid a year ago from BTR, the industrial conglomerate. Under the Takeover Code, BTR will be free to bid again for Pilkington from next Wednesday.

Pilkington said the latest increases would cover all European markets except Scandinavia. In Denmark, Norway and Finland prices had been increased by about 6 per cent last October, while a similar increase, effective in February, had recently been announced for Sweden.

Thatcher to visit Nato HQ

By John Hunt

MRS MARGARET Thatcher, the Prime Minister, is to visit the headquarters of the North Atlantic Treaty Organisation and of the Supreme Allied Commander Europe in Brussels on February 17.

It will be the first time that she has made an official visit to either organisation.

The trip is officially unconnected with her recent endorsement of a call for a summit of Nato government heads before a US-Soviet meeting this summer.

However, the feeling at Westminster was that the Prime Minister was bound to use the occasion to make inquiries about the feasibility of a summit.

THF presents £150m plans

By David Churchill

TRUSTHOUSE FORTE, the hotel and catering group, yesterday announced that it was spending £150m this year on new hotel, restaurant and other developments.

The investment includes four new hotels – at Aylesbury, Bath, Calderdale in West Yorkshire and Exeter.

In addition, it plans to open 15 new health and fitness clubs in hotels, 17 Little Chef Lodges, 21 Little Chef restaurants, and two motorway service areas.

LRT investment to rise

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

LONDON REGIONAL Transport is considering "radical" plans for a new generation of Underground transport, according to Sir Keith Bright, LRT chairman.

Sir Keith, who was launching LRT's annual business plan, said that capital investment on bus and Tube services would rise by £71m to £365m in 1988-89, in spite of a 20 per cent cut in government subsidies.

The increased spending would be financed largely by a forecast improvement of £54m in revenue from fares. Passenger numbers on the Underground have risen by about 70 per cent in the last five years.

Sir Keith said the rate of increase in passengers was expected to slow because of fare rises earlier this week which were above the level of inflation. But the underlying trend would continue to rise.

"If the increase in passengers goes on, we would have to look at a different dimension of travel, and we are already considering what other forms of Underground transport may be required," he said.

Sir Keith confirmed that LRT was considering seeking private finance for Underground improvements, including the possibility of sponsorship for refurbishing stations.

High Court eases ban on MI6 book

A HIGH COURT judge yesterday eased a ban that has stopped The Sunday Times publishing further extracts from the book Inside Intelligence, written by Mr Anthony Cavendish, a former MI6 officer.

After a private hearing, a solicitor for The Sunday Times said Mr Justice Ian Kennedy had decided the injunction he granted against The Sunday Times on January 2, was too broad. At the judge's direction, government lawyers "blue-pencilled" the parts of the book that affected national security.

Midlands plant for US concern

BY DAVID THOMAS

DIGITAL MICROWAVE, a California-based maker of telecommunications transmission products, is to build its first European factory in Birmingham.

The plant will design and make microwave and lightwave transmission equipment for sale throughout Europe.

The company is initially investing $2m (£1.1m) in the plant, which will begin by employing 30 people. Mr William Gibson, Digital's president, said yesterday the company hoped the plant would expand soon.

Digital has annual sales of about $40m.

David Fishlock meets the man seeking a storage site for the N-waste nobody wants

Image that handicaps a quest for a home

AS Mr Tom McInerney sees it, his job is simply to find a site in Britain for an underground warehouse for something that has been part of his everyday life for nearly 30 years.

For the chosen community, attractions include a £1bn, seven-year project and guaranteed employment for decades, immune from economic cycles.

Mr McInerney's schedule for this year is to explain his warehouse to about 500 district and county councils throughout Britain, starting with Caithness, in the north of Scotland, this weekend.

He hopes that by the end of the year at least one community will be persuaded to offer itself as a potential subterranean repository for nuclear wastes.

Mr McInerney is a chartered electrical and mechanical engineer of 52 with boyish looks and a winning grin. He has worked with nuclear power stations since joining the electricity supply industry in 1959.

In 1974 he was made manager of the two nuclear stations at Hinkley Point, Somerset, and took charge of a tricky on-site storage task with spent nuclear fuel. He was obliged to keep radioactive fuel at his station for many months longer than was customary, with consequent risks for his staff.

By 1984, he was executive director of the south-east region of the Central Electricity Generating Board, and remained so throughout the coal strike, producing nuclear and oil-fired power, until persuaded by Lord Marshall, his chairman, to take charge of UK Nirex in 1985.

Tom McInerney: wide experience of nuclear industry

From being a top executive of one of Britain's biggest businesses, Mr McInerney took on a minuscule operation struggling against the public image – fostered by anti-nuclear groups – of being involved in Britain's most anti-social business.

Mr McInerney's arrival coincided with Nirex becoming a public company owned jointly by the nuclear industry. He says he has enjoyed the chance to create a small but fast growing company – a rare opportunity for a state industry executive. "I saw more of Whitehall in one day than in my entire career before. Secretaries of state knew who I am."

So, too, do communities Nirex has approached as potential repositories. Effigies, including his own, appeared all over the Lincolnshire village of Fulbeck. A whispered "Nirex is coming" could whip up a community to fever pitch, he says wryly. "You could say we're a tremendous social stimulus."

His latest schedule was drafted after a government policy change just before the general election last summer, when Mr Nicholas Ridley, Environment Secretary, announced that the search for a near-surface repository for low-level nuclear wastes was being abandoned. Costs of meeting public fears about it were escalating.

Instead, Nirex proposed – and the Government agreed on – a single repository deep underground to hold low-level and intermediate-level wastes.

Anti-nuclear groups vehemently opposed the deep repository – just as they had opposed near-surface proposals. They said they wanted to keep the wastes where they are today, on the surface, scattered among many stores at nuclear stations, factories and laboratories.

Mr McInerney has no doubt whatever that leaving radioactive wastes where they are is "an unacceptable option".

It would leave them scattered widely across the country, ensuring a growing rather than diminishing task of care and maintenance and consequent exposure of people to radiation. It would prevent some nuclear sites from ever being restored to "green fields". It would certainly leave problems for future generations.

THE GOVERNMENT has endorsed the view of the Central Electricity Generating Board that obsolete nuclear power stations should be left for about 100 years before being dismantled.

In a response to the Parliamentary Select Committee on Energy's report on the subject, the Department of Energy said the cost of dismantling existing stations 15 years after shutdown might be high. It estimates that if the board sought the earliest possible decommissioning of all its stations, the cost would be £2bn over 10 years.

However, the Government said it saw "no reason to direct the CEGB to change its accounting treatment of decommissioning costs."

Mr McInerney points out that the Commons select committee on radioactive waste disposal concluded in 1986 that surface storage presented unacceptable risks.

Nirex's proposal is for a "warehouse" up to 1,000ft underground, where the waste would be stored in ways that would make it readily retrievable for as long as it takes to satisfy public opinion that the vault can be backfilled and sealed. It has distributed about 20,000 copies of a discussion document outlining its proposal and inviting comment.

The company has written off the £18m spent investigating shallow disposal, Mr McInerney says. However, the money helped to buy a great deal of science about the behaviour of radioactive substances in the environment over a time that will stretch beyond the next two Ice Ages. This has been done for no other toxic waste.

Nirex continues to spend £5m a year on research, mostly at the nearby Harwell research centre, to complete its scientific case for the soundness of its £1bn repository. Its investigations so far suggest that about 25 per cent of Britain's land mass offers terrain that in principle could satisfy the Environment Department's criteria for long-term geological stability.

Mr McInerney hopes that before the end of the year Nirex will have narrowed the choice to a single site, ideally with local encouragement.

Caithness, where he has been invited to address local councillors this weekend, is one example of a community with the right general geology. The project could rejuvenate a nuclear activity that otherwise seems likely to contract in the next few years. However, Caithness also has drawbacks, Mr McInerney points out. Not least is its remoteness, which exacerbates difficulties of transporting wastes.

From that standpoint, Cumbria offers the best prospect because British Nuclear Fuels' Sellafield factory is the biggest single source of nuclear wastes. However, the geology is complex and by no means certain to be acceptable.

The Way Forward. UK Nirex Ltd. Curie Avenue, Harwell, Didcot, Oxon OX11 0RH. Free.

Iveco Ford offers deal despite pendulum ruling

BY PHILIP BASSETT, LABOUR EDITOR

IVECO FORD, the only British company so far to win a pendulum arbitration award under a strike-free deal, is in spite of that offering to implement a compromise proposal on the arbitrated issue.

The move by the Berkshire truck manufacturer may indicate a significant point about the practical value of pendulum arbitration – the strike-substitute mechanism under which an arbitrator has to choose either the employer's final offer, or the employees' final claim.

Leading industrial arbitrators, including the conciliation service Acas and the Government's Central Arbitration Committee have questioned the system. They say that by ruling out the possibility of compromise, it may not produce the best practical result for the company using it.

The offer by Iveco Ford, owned jointly by Ford and Fiat's UK truck subsidiary, seems to lend support to such views.

Last year, the company and its unions invoked the option of pendulum arbitration to resolve a dispute, including a short unofficial strike, over Iveco's decision not to make any 'cushioning' payments for the loss of shift premia for employees being moved off shift work because of a downturn in the truck market.

The arbitration decision between the company's position and the unions' claim for 12 months' cushioning went in the company's favour. But Mr Roy Lewis of Warwick University, the arbitrator appointed by Acas, made clear his preference would have been to have made a compromise award of 13 weeks' cushioning.

Even though it won the pendulum arbitration, the company is now putting forward precisely this compromise proposal as part of the job security provisions in a two-year pay offer, which would give increases of 5.25 per cent in each of the two years. Negotiations are continuing.

The 13 weeks' cushioning would apply to any of the Langley plant's 1100 employees who are taken off shift work apart from the 25 involved in the original grievance. However, fewer than 100 employees are still working shifts.

Mr John McGrath, Iveco Ford employee affairs manager, said the move showed the company had taken into account the arbitrator's comments in its consideration about what would be best for the plant's operations.

He said pendulum arbitration had been useful in helping resolve the dispute, but he saw no significant difference in practical, operational terms between pendulum and conventional arbitration in industrial relations.

Delivery dispute halts Rover production

By John Speck

CAR PRODUCTION at Rover's Longbridge and Cowley plants halted yesterday after a walkout by lorry drivers at Longbridge in a demarcation dispute. More than a thousand car workers at Cowley in Oxford and 700 assembly and body shop workers at the Longbridge Birmingham factory were sent home because engines were not being delivered.

The dispute began among 18 night drivers over whether components should be delivered to Austin Rover plants by road or rail. Lorry drivers are employed at Longbridge to move engines within the plant.

Union officials advised the drivers to carry on working normally, but the 18 men walked out. Early yesterday morning a further 50 day-shift drivers voted to join them.

Austin Rover estimated that at Longbridge production of some 300 cars – principally Rover 200s, Minis and Metros – with a showroom value of £1.8m had been lost. At Cowley lost production figures were worse - 450 cars, mainly Maestros, Montegos Rovers, worth £2.5m at showroom prices were lost.

The company said talks had begun in an attempt to settle the dispute and the employees were expected to return to work on Monday.

BA moves closer to two-year pay deal

BY JOHN SPECK

BRITISH AIRWAYS is moving towards agreement on a fourth successive two-year pay deal for all its employeesThis week administrative staff became the fourth bargaining group to accept the offer.

In all, more than 12,000 staff have agreed to an offer worth 5.5 per cent this year and a further 6 per cent in 1989.

The other three acceptances have come from the two bargaining groups for engineering supervisors and from the overseas engineers. A further 23,000 UK employees, including cabin crew, craft workers, pilots, ground service and non-craft staff have yet to.

BA is keen to avoid the protracted wrangling that has bedevilled pay negotiations in recent years. BA's last two-year deal, granting rises of roughly 8 per cent each year, almost led to industrial action over productivity and flexibility.

This year, BA has not made detailed productivity and efficiency demands but is looking for general flexibility so it can adapt quickly to changes in operational requirements.

BA is seeking "unimpeded" introduction of new aircraft, technology and equipment, as well as more flexible rostering of workers and the implementation of lower "starter" pay rates for recruits.

BT branch reports strike a ringing tone

David Brindle on the acerbic 'scribes' who are brightening up union journals

"A WELL-ATTENDED meeting began by standing in memory of Bro. P. Beechinor."

"I've been reading the book To Have or To Be, by Erich Fromm."

Believe it or not, these are both introductions to branch reports in trade union journals. The first, from the National Union of Railwaymen, is typical of the traditional way many unions still communicate local news to their members.

The second is something altogether different. It comes from the Society of Telecom Executives, the British Telecom managers' union which this year celebrates its 50th anniversary as an independent organisation with a full-time staff.

Writing mostly under pseudonyms, the STE's branch "scribes" have developed an extraordinary style of their own which has turned the Branch Notes pages of the union's monthly journal, The Review, into a sharp and witty commentary that is required reading for the privatised company's senior executives.

BT has not, of course, been conspicuously short of critics of late. But the acerbic judgments of "Doubting Thomas", "Nomad", "Pearls", "918" and "Shout Quietly" – all BT managers themselves – carry more weight than most.

"Laser shows at shareholders' meetings are no substitute for telephones that work," wrote "Blott", of BT Research, in a recent Review.

"Remember, when backsides are being kicked from the top, the person right at the bottom is a BT customer," contributed "Borka", of Leicester, after a BT maintenance engineer had been "so damned rude" on a visit to the Borka residence.

"So, Sir George has left the listing flagship of privatisation and we must man the pumps with increased vigour, if unenthusiastically, or the megalomaniacal lager-brewing professor will slam another torpedo into our creaking hull," wrote "Beagle Voyager", of Leicester, following the resignation of Sir George Jefferson, the former BT chairman, and the criticisms of the company by Professor Bryan Carlsberg, director general of the Office of Telecommunications.

Beagle Voyager's message to the BT board: "They must surely be aware that their heavy-handed approach which led to (last year's engineers') strike and their subsequent behaviour has destroyed morale, caused loyalty to fly out of the window and has led to BT's poor performance in the eyes of the customers."

Such semi-public washing of the management's dirty linen undoubtedly causes stresses. "8 From 95's Mate", the West Midlands scribe, recalls his branch chairman being summoned by BT's district general manager to be told of official displeasure at one particular report.

"Since privatisation the scribes seem to have more power, seem to be getting more of a say than they ever did," says 8 From 95's Mate, a work study and efficiency manager whose pen name, like many of the others, has a derivation far too obscure for wider consumption.

Often, the scribes have no other involvement in the union and are as critical of its leadership as they are of BT. "This secrecy from the STE executive is inexplicable," wrote "Mehercule", of International Central branch. "Tell us the offer. Discuss with us the problems. Trust us."

Yet the branch reports are, it appears, rarely censored or amended. Thus the regular greetings in Latin from "Agrestis", the Norwich scribe, pass into print in the form he writes them.

Thus the reports also provide the outsider with fascinating nuggets such as a description by "Captain Haddock", of Manchester, of Section 5 Appendix A of BT's handbook for managers on dealing with complaints.

The appendix, wrote the scribe, outlined how to construct letters of apology to titled telephone subscribers including "the Queen and all her family."

What, then, explains the idiosyncratic nature of branch reporting in the STE?

According to Mr Kenneth Glynn, the union's general secretary from 1960 to 1983, there has always been a strong tradition of freedom of expression for the members. He thinks it may have something to do with the STE's "rather esoteric" history and its roots as a staff association in the Post Office.

On the other hand, says Mr Glynn, the answer could lie in the character of Mr Leonard Leese, the union's first general secretary and first editor of The Review. It was, it seems, not unknown for him to attend negotiations dressed in hiking shorts.

Scottish hospital action likely to continue

BY DAVID BRINDLE, LABOUR CORRESPONDENT

HEALTH WORKERS in Scotland look set to continue disruptive action in an attempt to block the belated introduction there of competitive tendering for hospital ancillary services.

After Thursday's one-day strike by about 2,000 hospital staff in Edinburgh and Strathclyde, about 150 ancillary workers at Gogarburn Hospital, near Edinburgh, yesterday walked out again.

More action is expected on Monday when Greater Glasgow Health Board is due to discuss tendering. The National Union of Public Employees' Lanarkshire committee is to ask the Scottish TUC to support a national day of action in the health service.

Mr Ron Curran, Nupe's national officer for Scotland, said yesterday: "Industrial action is now inevitable in Scotland."

Unions in England and Wales have largely ceased taking action over Government-enforced competitive tendering, which began in 1983 and is almost complete. However, in Scotland the process was deferred by the health boards and is only just beginning.

The health boards say tendering should be unnecessary because they have instead achieved savings of at least £12.5m (9.5 per cent of previous costs) through in-house efficiency gains.

Mr Michael Forsyth, the junior Scottish minister, said on BBC radio yesterday: "I am not at all pleased that there has been some industrial action in protest at our introduction not of privatisation, but of competitive tendering which of course you have had operating in England for a number of years and which has produced about £100m of additional money for patient care."

The Royal College of Nursing, the main nurses' union which has a no-strike rule, yesterday denied reports that several of its members had joined Thursday's protest strike in Edinburgh.

● Disruptive action by blood transfusion workers was lifted yesterday after Thursday night's interim agreement on the disputed issue of meal allowances.

Midland Bank personnel director

Mr G. Peter White has been appointed group personnel director at MIDLAND BANK and a member of Midland's group executive committee from February 1. He is associate managing director - personnel at Nomura International.

★

Sir Robert Armstrong, formerly secretary, has been appointed to the board of the ROYAL OPERA HOUSE. Sir Robert, who was made a life peer in the New Year Honours, is a member of two subsidiary boards, the opera board, of which he is deputy chairman and the development board. **Mr Andrew Edwards** has been appointed secretary.

★

Lord Crickhowell has been appointed to the board of ASSOCIATED BRITISH PORTS as a non-executive director. He was Secretary of State for Wales.

★

ADAMS FOODS has appointed **Mr Michael J. Whittaker** as sales and marketing director. He was commercial director at Del Monte Foods. He succeeds **Mr Tony Moore** who has retired.

★

CONTROL SECURITIES has appointed **Mr Edward R. Smith** a non-executive director. He is a senior director at Hill Samuel & Co.

★

Mr John Eden has joined the PETERS GROUP as service director and **Mr Mark Peters** has become sales director on the board of Peters Office Machines.

★

Viscount Tenby has joined the WILLIAMS LEA GROUP as public relations consultant and become a non-executive director of William Lea and Co.

★

Mr Keith Allen has been appointed a director of ROBERT WALTERS (INTERNATIONAL) based in Brussels. **Mr James Hyde** has been made a director of Robert Walters (Executive).

★

TOP RANK, the bingo club subsidiary of Rank Organisation, has appointed **Mr Ian Ellis** to its board as marketing and development director.

★

Mr Tom Porritt has been made managing director of CARTERS PACKAGING. He was previously a director and general manager.

★

Sir William Barlow, chairman of BICC, has been appointed chairman of the ENGINEERING COUNCIL from May 17 for a three-year period.

★

CREDIT LYONNAIS UK has made the following appointments: **Mr Roland de Malherbe** as assistant general manager responsible for financial institutions, syndications, project finance and LBOs. He was regional manager Europe with Saudi International Bank. **Mr Steven McGuire** has become assistant general manager responsible for the market group covering all foreign exchange, treasury and the sales activities. He was previously with Gulf International Bank as London branch treasurer.

★

Mr David Livingstone has been appointed to the board of THE MARKETING ORGANISATION. He is managing director of Motivation Strategy.

★

JOHN CROWTHER GROUP has appointed two directors: **Sir Derek Palmar**, president of Bass and chairman of Yorkshire Television, has been appointed a non-executive director. **Mr David Suddens**, who joined Crowther in October, has been apppointed an executive director. Mr Suddens was formerly a director of Courtaulds Textile Group and chairman of its fabrics division.

★

Mr Frank C. Prast has been made financial director of the SHEFFIELD INSULATING CO. He was treasurer and company secretary.

★

Mr Peter Simonis has been appointed a non-executive director of CARLESS, CAPEL & LEONARD. He is chairman of British American Offshore and Gibraltar Shiprepair. **Mr David Leonard**, a non-executive director, has retired.

JAGUAR CARS has appointed Mr Bob Dover as manufacturing director. He held a similar post at Land Rover.

★

At SAATCHI & SAATCHI CO **Mr Simon Mellor**, corporate development director, has additionally been appointed deputy chief executive of the communications group. He was appointed to the board in 1985.

★

LOMBARD TRICITY FINANCE, a member of the National Westminster Bank group, has re-organised its board. **Mr Jim Noon**, formerly marketing director, takes the new post of operations director, and **Mr Trevor Astbury**, formerly sales director, becomes sales and marketing director.

★

Miss Perdita Erith has been appointed a director of CELESTION PROPERTIES.

CONTRACTS

Rebuilding a board mill

An order worth over £5m has been received by **BELOIT WALMSLEY** of Bolton, Lancs, from Purfleet Board Mills of Essex.

The order is for the complete re-build of the Mills' board machine which, when completed, it is claimed will be one of the most sophisticated in the world, with the capacity to produce 140,000 tonnes per annum of sized and unsized board grades.

The re-built machine is scheduled to come on stream this October.

Do-it-yourself ticket machines

Network SouthEast has placed a £3.4m order for 240 Quickfare self-help ticket machines for installation in strategic locations at many of its busy stations to make it easier to buy a ticket and help reduce queues at ticket windows. The new machines will be supplied by **AUTELCA AG** of Berne, Switzerland. The order will bring the total number of Quickfare ticket machines due in service at some 180 Network stations to over 400. Deliveries will be completed by late 1989.

Two versions of the Quickfare ticket machine are being introduced. A coin-only machine will be used at busy suburban stations while a more versatile unit which covers a wider selection of destinations and accepts £5 and £10 notes as well as coins, will be installed at most London termini and principal suburban stations. Both machines give change.

London Bridge, Waterloo and Victoria are the most recent to receive the more versatile equipment. Other London termini will follow, along with many principal outer suburban stations including Chelmsford, St. Albans City, Reading, Woking, Sevenoaks and Redhill by the summer.

Accounting software distributor

A contract worth £15m over five years for the exclusive European distribution of its UNIGEM Unix accounting software has been won by **SOFTWARE LABORATORIES** of Bray, Co. Wicklow, Ireland. The deal has been signed with Linkor, an international sales and marketing organisation based in Paris and London, which will sell the UNIGEM product plus source code to major user corporations, small to medium size computer manufacturers and systems integrators. UNIGEM (Unix General Environmental Manager), has been developed by Software Laboratories with an open architecture built around a central core of powerful accounting software.

Bone china for British Airways

ROYAL DOULTON has won an order worth more than £1m from British Airways. The bone china will be supplied by the company's hotelware and airlines division and will be used on British Airways new long-haul business class service introduced in January. This new order is in addition to the china Royal Doulton already supply to the airline's first class and Concorde services. The Concorde service is also being supplemented by glasses from Royal Doulton Crystal. The pieces to be supplied include cups and saucers, two sizes of plates, bowls, meal dishes and butter chips.

Monitors for world markets

Whitechapel Workstations is to equip all its RISC based HITECH workstations with 20" and 16" CAD/CAE high resolution colour monitors from **HITACHI NEW MEDIA PRODUCTS**. Under an OEM contract expected to top £2m in the first year Hitachi is to supply its CM2086 monitors with 0.31mm tri-dot pitch 20" CRTs with 1280 x 1024 resolution.

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In search of scapegoats

SINCE Christmas the world's markets have been waiting obsessively for a single set of US monthly trade figures that they know to be generally misleading and statistically faulty. The market authorities have been almost equally nervous – even to the point, in the case of the New York Stock Exchange, of limiting computerised programme trading in an experiment that started on the day of the trade figures. Yesterday the announcement finally came; and the euphoric response in the currency markets to an outcome rather better than expected must have given central bankers pause for thought. How long before they find themselves holding the dollar down instead of propping it up?

The market reaction does not, of course, bear much relation to underlying reality. Nor does the reaction of those commentators whose instantaneous judgement was that the US trade balance had turned the corner. The trade figures for November, it should be remembered, will not have been affected by the depreciation of the dollar that started after Black Monday. So what, if anything, do the figures mean?

A deficit of $13.2 bn does at least indicate that the October figure of $17.6 bn may have been misleadingly large. Averaging over the two months October and November 1987 throws up a deficit of $15.4 bn, which happens to be virtually the same as the average for July, August and September. But it also happens to be above the average for October and November 1986 of $15.1 bn. There is nothing here to inspire any real confidence about trends. The fact that much of the adjustment now appears to be coming on the export side is consistent with the view of a full employment economy that is reaping the gains of a substantial devaluation.

Violent optimism

The question, then, is why the markets should react with such violent optimism to figures that offer so little in the way of a predictive steer. Relief surely provides part of the explanation: it could have been so much worse. But there are also problems arising from market structure. The absence of stabilising speculators in the currency markets has long been the subject of academic debate. And it may be that as currency markets have become dominated less by trade than portfolio flows, the investment managers' three monthly performance surveys are also having an impact. Those who manage long term capital flows seem no more able to take a contrary view of currencies than the bankers who deal on a minute by minute basis.

Short termism of this kind was very much the concern of the Brady Commission's report to President Reagan last week on the events surrounding the market crash on Black Monday. In particular, it singled out programme trading and the use of instruments such as futures and options to hedge investment portfolios for criticism. The New York Stock Exchange, which is not without political antennae, is sufficiently concerned about this mechanistic approach to investment (and sufficiently hostile to the Chicago markets that play host to so much of the hedging activity) to have decided to act, initially by controlling access to the exchange's electronic order processing system, which is central to the operations of the programme traders.

A scapegoat

One can sympathise up to a point. Programme trading, with its automatic buying and selling signals, scarcely seems designed to send out sensible price signals to providers and users of capital. But if such practices are throwing up anomalous prices, other participants in the market would surely react to bring them back into line. The fact is that the currency markets do overshoot, and the trade consequences of overshooting are serious enough to require policy changes; but it is not clear that stock markets have been overshooting in the past three months, or that the authorities should be imposing constraints on market operations.

In short, the markets, however volatile, are becoming a scapegoat for policymakers. The reason that investors used to watch money supply numbers so obsessively was that they had seen their portfolios savagely eroded by inflation. The reason they now watch trade figures so avidly is that trade imbalance raises the threat either of recession or a return to inflation. True, the markets are unduly volatile. But to blame them for everything – especially in a Presidential election year – is to fall back on the age-old practice of shooting the messenger.

Michael Cassell examines the uncertain future of the merger between the Liberals and the SDP

The men who went out into the cold

WHEN Mr David Steel stumbled into a Freudian slip under the arc lights in the Lloyd George Room of the National Liberal Club last Wednesday, the slip seemed to reflect an inner truth.

Tired after a night of merger discussions, demoralised by a day of escalating insurrection in his party, the Liberal leader was commending – as though he had any choice in the matter – a temporary halt to the Alliance party's merger negotiations.

A press conference called in triumph to announce an agreed merger package had become the platform for a public humiliation. Flanked by rebellious MPs wearing fixed smiles, Mr Steel did his best to put a brave face on things. It would be best for everyone, he suggested, if the two parties took a breathing space "for two or three years".

He at once amended the time-scale to two or three days. He would have been forgiven, however, if he had wanted the whole affair put on ice for a great deal longer.

It was Mr Steel himself who had forced the pace in the aftermath of a general election which had promised the Alliance so much and delivered so little. His determination to erase the unhappy election-time memory of two party leaders yoked together in a pantomime horse might now prove his undoing.

After Mr Steel's mauling at the hands of his own MPs, the gentlemen of the Press seemed reluctant to intrude on private grief by pressing him on his political future. Most had in any case decided, perhaps just a little prematurely, that his days as party leader were numbered.

Originally, he had been the one anxious to confront the merger issue head-on, a process which opened up an unbridgeable chasm between leading figures of the Social Democratic Party. But then he carried on the necessary negotiations in moods which ranged from public displays of enthusiasm to private expressions of boredom and contempt.

It was Mr Maclennan, the architect of the SDP constitution, who seemed to be more genuinely enthused by the endless, remarkably good-humoured discussions of the new party's framework and decision-making processes. In joint appearances, his grasp of detail was impressive, the Liberal leader's lacking.

The plan was that the leaders' policy statement – "the keystone in the arch" to borrow Mr Maclennan's phrase – would crown the negotiation process. It was seen to be of such importance that its creation would be left exclusively to the two men and their closest advisers. It would then be presented to the special conferences as an integral and inseparable element of the merger package.

As events on Wednesday and Thursday dramatically proved, the two leaders, in a paroxysm of astonishing naivety, fell down on the job.

Mr Steel, in his desire to see an end to the tedious process and to embark on a new crusade which he appeared increasingly tempted to lead, drew in his political antennae and promptly lost touch with his MPs. Mr Maclennan, in struggling to win over the anti-merger faction within his party, insisted on policies which he should have realised would prove unacceptable to the Liberals. In the event, they were indigestible even to those he was attempting to woo in his own party.

The negotiating team spent months examining everything from federal structures to student organisations. There were walk-outs over the choice of a name. But the central task – that of looking out towards the electorate and deciding what the newly christened Social and Liberal Democrats would stand for – appeared to have been undertaken almost as an afterthought.

Indeed, the self-imposed timetable for the merger agreement meant that the challenge of appealing to voters, rather than placating activists, was never properly tackled.

Advisers were left to draw up the outlines of the leaders' policy document while Mr Steel went on safari. He returned after Christmas to join Mr Maclennan in the task of sealing the package. In their determination to settle the merger, to appear radical and to rally maximum support behind the new SLD, the two men abandoned their political judgment.

The document's references to retaining Trident, extending VAT to a range of food and essential consumer goods and abolishing mortgage tax relief proved too much for Liberal MPs to stomach; and the document had a similarly hostile reception from the SDP.

Hours after the completion of the constitutional package – which ironically eliminated Mr Steel's long-held veto over policy issues – he found himself on the receiving end of a unanimous veto from his own MPs. Despite Mr Maclennan's assertions that the two leaders were not about to unsay anything they had already said, a document printed at 9am was consigned to the archives by 5pm.

The task of deciding what the new party would stand for appeared to be an afterthought

The two figures who had insisted on drawing up policy alone went off into the cold, handing over the task to a committee. It has until Monday to produce something different and sufficiently uncontroversial to win backing. The new party, if there is to be one, will be launched on a compound of earlier policies, drawn heavily from an Alliance manifesto which attracted 23 per cent of the popular vote last June.

The rescue package's Monday deadline is five days before the Liberals meet at Blackpool to decide whether to put it to a ballot of party members.

Despite the debacle and the delays, however, both parties report a strong feeling from the grassroots that there can be no turning back. The chances are that both sides – the SDP meets a week later at Sheffield – will vote to set up a new party in March, but it is not a foregone conclusion.

Things are most uncertain on the Liberal side. The package must win a two-thirds majority at Blackpool, and a "No to Merger" campaign is apparently attracting rising support. The result of the vote next Sunday lunchtime is therefore uncertain. If the proposal fails, the package will unravel and confusion and recriminations will tumble out.

Even if all goes well over the next two weeks, the events of the past few days will have a profound impact on the leading characters, the new party and the shape of British politics for a long time to come.

The consensus among MPs this weekend is that, irrespective of the outcome of the merger process, the political credibility of both Mr Steel and Mr Maclennan has been irreparably damaged.

While the democratic policy-making machinery established for the new SLD may in time allow it to create an attractive electoral package, the question of the party leadership will be rather more pressing.

Both Mr Steel and Mr Maclennan are expected to see the merger process through, but it seems increasingly certain that, even if they wished to put their names forward, their chances of winning would be slight. The party will find it more difficult than ever to convince the electorate that it offers a fresh alternative, and it will need to have a new face at the top, one which bears none of the responsibility for the latest fiasco.

Mr Steel – whose keenness to carry on, after nearly 12 years of party leadership, has fluctuated in recent months – is likely to find the decision made for him. Though he may regret the circumstances surrounding such a departure, he might greet the prospect of finally stepping aside with some measure of relief.

If Mr Maclennan had harboured any private ambition of capitalising on his sound performance throughout most of the merger process (perhaps in the role of deputy leader of the new party), that too seems unlikely to be fulfilled.

A leadership election for the SLD is planned for the autumn. An announcement that Mr Steel does not intend to stand would fire the starting gun for all the alternative candidates.

Mr Alan Beith, the Liberal deputy leader, may have wrecked his chances by helping to draw up the outlines of the ill-fated policy document and through his attempts this week to distance himself from the disaster. Mr Paddy Ashdown, the Liberal MP for Yeovil, whose silence this week has spoken volumes, could soon emerge as the favourite.

As for the SDP, more of its leading figures seem likely to follow the example of Mr Bill Rodgers, who has left to run the Royal Institution of British Architects. The wave of disenchantment could also spread to the grassroots, where some impressive prospective parliamentary candidates may just feel they have had enough.

The new party's leader will face a difficult task in trying to give it a well defined place in the political spectrum. He or she will probably inherit a party which boasts an SDP constitution, but still leans heavily on the Liberals for its community-based political flavour.

Dr David Owen, the former SDP leader, did well this week to contain his innermost feelings about the plight of his former colleagues. He clearly feels, however, that their chickens have come home to roost.

With his Campaign for Social Democracy already attracting 15,000 members and a scale of financial backing that is the envy of his former partners, Dr Owen has firm foundations on which to rebuild his support. No opportunity will be spared to recruit sympathisers at Sheffield.

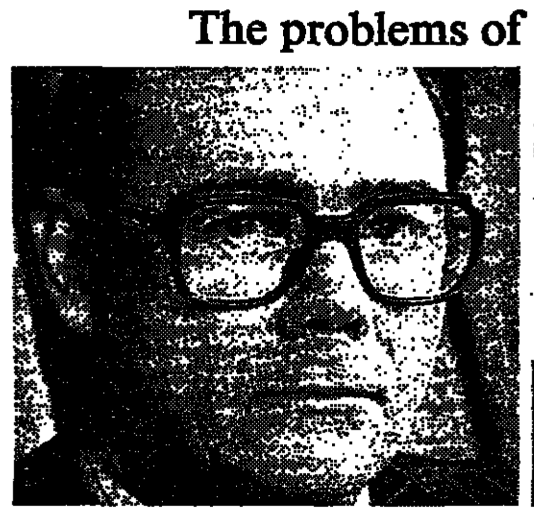
This week, he said his task in 1988 would be to rebuild the "self–confidence, pride and electoral effectiveness" of Social Democrats. His rehabilitation as the leading figure of the centre ground of British politics could also be part of his plans.

But even if supporters do rush to his side, things will still not be easy for him. The damage to the centre is, for the time being, incalculable. The wound could be deep enough to emasculate any political third force, whatever shape it assumes, for a long time to come. As he has warned, the task of mounting a credible opposition to Mrs Thatcher may have been seriously undermined.

If the merger goes ahead, the SLD will face its first real test at the May local elections. It will go to the polls with a policy approach wide open to varying interpretations at ward level and with its leadership uncertain. Its representatives will be desperately anxious to concentrate on the future, rather than to acknowledge the recent past.

"Voices and Choices for All", the two leaders' instantly perishable proclamation, says that the proposed political union intends to "catch the tide of history". Doubters from either side would be forgiven for fearing that it might just have gone out without them.

The problems of County NatWest



Parting company: Mr Charles Villiers, chairman of County NatWest, and (right) Mr Brian Winterflood. Mr Winterflood has resigned as a director after refusing to accept reorganisation plans.

Trying to march with the big battalions

By David Lascelles

THE SUDDEN departure of two senior directors after a rift over strategy on Wednesday night caps a bad year at County NatWest, the investment banking arm of the NatWest group. The news came on top of County's admission just before Christmas that it had lost £69m in the October market crash, which also forced it to dismiss three people involved in a scandal in its options department.

All this has been highly embarrassing not just for County NatWest, but also for its parent, the UK's largest clearing bank. "It's been a difficult year," admitted Mr Charles Villiers, the chairman, as fog swirled round the upper storeys of the County Tower close to the Stock Exchange yesterday. "But we hope we can get all that behind us now."

These unhappy events could have been blamed on bad luck and the usual City ups and downs, were it not that County has also had to admit to deeper problems in its strategy.

In recent months it has become obvious that County made a false start in the 1986 Big Bang which has left it behind in the investment banking race. So County is racing to catch up, through the forthcoming acquisition of Wood Mackenzie, a leading stockbroking firm. But that too is causing strains as the two operations are merged.

County's predicament is a vivid illustration of the need for clear strategic thinking and successful "people chemistry" in the volatile business of high finance – neither of which County got right, Mr Villiers concedes.

In the run-up to Big Bang in the mid-1980s, when banks were scrambling to get into the securities business, County held back. Instead of splashing out on big acquisitions like Barclays (which spent £125m creating BZW) it bought a medium-sized broker, Fielding Newson-Smith, and a small jobber, Bisgood Bishop, for a total of less than £30m. It reckoned that it could build on this foundation.

But the first year of Big Bang showed that big battalions come out best; County's light artillery was outgunned by BZW and large merchant bank groups like S.G. Warburg, and staff turnover soared.

The proposed acquisition of Wood Mackenzie from the TSB Group is supposed to remedy this. The Edinburgh-based firm, built up by Mr John Chiene into one of the UK's most successful corporate finance and research brokers, will strengthen County's equity business and give it a bigger share of the market in UK blue chip stocks, where it has been weak.

But the marriage has made a bad start. Mr Brian Winterflood, County's top equity market-maker and a leading name in the Unlisted Securities Market, opposed the Wood Mackenzie deal after it became clear that his market-making division would lose its independence and Mr Chiene would be appointed to the top securities job in County. He left, along with Mr Stephen Raven, the deputy managing director.

The row and Mr Chiene's strong personality suggest the deal might end up being a reverse takeover of County. Mr Villiers agrees that County wanted to get in new management to run its equities business, but at the trading level "it is a merger of equals."

He also points out that even after buying Wood Mackenzie, County will still have spent only a third of Barclays' outlay on BZW. The company has also recruited Mr Peter Spira, a leading merchant banker, to improve its entree to the big company market.

The Wood Mackenzie deal, though, is only one part of County's efforts to lift its game. The losses in the crash, which were caused largely by County's heavy holdings of shares in Blue Arrow, the manpower firm, have been made good by a capital injection of £80m from its parent.

The company's senior executives took a voluntary 20 per cent pay cut, and 100 of the most highly paid staff have had their salaries cut as well. Whether any bonuses will be paid for 1987 will be decided in April, says Mr Jonathan Cohen, the chief executive. So far, 20 people have been laid off, but more may go in the months ahead. The job losses will reflect, in part, rationalisation after the Wood Mackenzie merger – a fact which has added to poor morale at County.

Despite all these measures, County will still make a loss of £60m-£80m this year, according to City analysts, and heavy development costs already planned for this year mean it will probably end up in the red for 1988 as well.

However NatWest, the parent, has gone to some lengths to reassert its commitment to County and a spokesman said yesterday that investment banking remained a key part of NatWest's global strategy.

The equity business is only one part of County's operations, which encompass capital markets, fund management and merchant banking. And ironically, County is doing much better abroad than in the UK.

It has just won a long legal battle in the US to open a stockbroking and investment advisory business, which will set a major precedent, even for US banks. It will also shortly join the exclusive group of foreign banks which have been allowed to join the Tokyo stock exchange.

Mr Villiers says he still aims to make County "a leader in the UK." By that he means being one of the top three investment banks which he expects to dominate the City in the years ahead.

Man in the News: Lord Young

An evangelist for capitalism

By Peter Riddell

"GOVERNMENT programmes are like cornflakes. If they are not marketed, they will not sell." With that characteristic flourish, Lord Young, the Trade and Industry Secretary, this week launched a £5m television and press advertising campaign to promote the services of the reorganised DTI, "the department for enterprise".

Lord Young is as much an evangelist as a politician – a salesman for capitalism. Samuel Smiles, the prophet of self-help, would have been proud of him. He is the epitome of the successful businessman – dapper, smooth, at times somewhat glib, a doer who believes he knows what needs to be done.

When interviewing him, the flow of genial persuasiveness is such that it is sometimes difficult to get to grips with the substance. He speaks like a marketing man rather than a conventional minister. Last October, he set out a series of policy objectives for the DTI, which he compares, bizarrely, to Mein Kampf – "no one can say they did not know what was coming".

Lord Young talks a lot about changing attitudes: encouraging, for example, some 250,000 managers and decision takers in industry to become more entrepreneurial and self-reliant. In just the same way, when he was at the Department of Employment, he sought to alter the approach of people who were unemployed. Even his own DTI civil servants are to be re-educated through customer care training; he describes his department as a service company.

Like a chief executive brought in to shake-up a sleepy business, he sets new targets, repackages the product and launches an expensive marketing campaign. Short-term results improve, yet has anything fundamental changed?

Beneath the gloss, Lord Young has solid achievements to his credit. When he was chairman of the Manpower Services Commission, from 1982 to 1984, there was a greater emphasis on training and the creation of jobs in service industries and small firms. He built up the Youth Training Scheme and expanded other programmes.

As a result, he was brought straight into the Cabinet in September 1984 with a brief to cut official regulations and promote enterprise. Throughout he showed energy and marketing flair, producing a succession of initiatives. Whether or not his actions were responsible, the unemployment figures fell.

Lord Young is trying for a repeat performance at the DTI. He recalls his previous period at the same ministry in "the difficult days" from 1979 to 1982, when he served as an industrial and special adviser. His first impression when he returned in June was that, "while the outside world had changed tremendously, the department had not".

Admittedly, the problems that used to attend the nationalised industries had largely been solved, either by privatisation or by improved performance. But attitudes created by close sponsorship of particular sectors remained, and officials were reluctant to promote schemes for fear that the money would run out.

Now the emphasis is to be on promoting enterprise and best practice, with the department providing and subsidising consultancy on, for instance, design and quality in smaller firms. Lord Young talks about "renewing the schemes", since he believes that if they are to influence attitudes and behaviour they should be limited to, say, two years and then replaced with new programmes.

He is also to make regional grants discretionary and selective. He strongly denies the charge that he is going back to the discredited exercise of trying to pick winners. He says there will continue to be strict criteria for grants: a project will only qualify if it would not go ahead otherwise.

The marketing drive, involving an advertising campaign and 24 new DTI outlets around the country, is intended to address managers directly, by-passing his department's traditional contacts with trade associations. He regards the associations as "the lowest common denominator, producing mutual dependency between sectors and sponsoring civil servants".

Survey evidence shows that it is the smaller firms which are both in most need of consultancy services and are most ignorant of the DTI's schemes, which he describes as "the best kept secrets in the country".

Lord Young sees the central question as how to use his budget of around £1bn to influence an economy of around £400bn. This is not only less than half what he had at the MSC, but also only about a tenth of what the Ministry of Defence spends annually on equipment from British industry.

Perhaps the key is that Lord Young is an activist by temperament. His approach contrasts with the doubts expressed before 1979 by Lord (Keith) Joseph, his original political mentor, about whether there was any need for an industrial strategy.

All this leaves Lord Young as a curious figure in Cabinet – well liked by colleagues and held up by the Prime Minister as an example to others. But, as fellow ministers point out, he has never had a constituency. He may have proved adept at Whitehall infighting and as an intermediary with Conservative Central Office during the last election, but he is not regarded by colleagues as a real politician. When he sought last autumn to become chairman of the Conservative Party, his appointment was blocked by those quintessential politicians, Lord Whitelaw and Mr John Wakeham.

Lord Young undoubtedly has influence over policy, but his priority is his customers, out there in industry, not Parliament. He is dismissive of what he sees as the preoccupation of fellow ministers with the Commons. That is why he remains an outsider: an active manager and salesman, but wholly dependent for his position on the backing of Mrs Thatcher.

Hostages to more than ill-starred fortune

Andrew Gowers and Nora Boustany look at the plight of kidnap victims in Beirut a year after the seizure of Terry Waite

EXACTLY one year ago next Wednesday, Mr Terry Waite left his West Beirut hotel for a meeting, bade farewell to his Druze bodyguards and slipped out of sight.

Within 10 days, it was clear that Mr Waite, the Archbishop of Canterbury's special envoy working for the release of Westerners kidnapped in the Lebanese capital, had himself become another hostage.

After 12 agonising months for Mr Waite's family, there is no hint of his release or even of his whereabouts. None of Lebanon's hostage-takers – a number of inter-locking clans grouped under the general umbrella of the Shi'ite Moslem Hizbollah (Party of God) – has claimed responsibility for the kidnapping. The British Government maintains that there have been no demands, no statements of terms for his release, nothing.

Yet amid this silence on the most celebrated of the Lebanese cases, there have been some quite dramatic shifts over the hostages in the last year.

Nineteen eighty-seven opened with a rash of kidnappings. As well as Mr Waite, two Frenchmen and two West Germans were seized in January, followed by Mr Charles Glass, the American journalist.

The year ended with four of them – Mr Glass, Frenchmen Mr Roger Auque and Mr Jean-Louis Normandin, and Mr Alfred Schmidt, a German businessman – free.

For some of the estimated 24 people remaining in captivity, there is more than a whiff of negotiation and deal-making in the air. Among the Western governments confronted daily with the hostage issue, there is bad blood and confusion.

To British official eyes at least, hopes of a solid international front against accommodating kidnappers or states which sponsor them – in this case Iran – seem more remote than ever. Given Britain's adamant refusal to involve itself in the "hostage bazaar", so do the chances of release of either of the two British hostages still believed to be alive, Mr Waite and the journalist Mr John McCarthy.

Western credibility and solidarity were already strained to breaking point by the disclosure of America's arms-for-hostages deals with Iran in late 1986. But in the last few months, serious dissension has also been sown within European ranks, which were supposed to have been buttressed by a commitment by heads of government in December 1986 to make "no concessions under duress to terrorists or their sponsors".

First there was the release of Mr Schmidt in September. Although there is no suggestion that the West German Government itself paid a ransom, it was certainly involved in discussions with Tehran about the hostages and British officials remain convinced that it tolerated such a payment by private individuals or companies.

Then came France's complex arrangement with Iran at the end of November, under which two of the seven French hostages were freed at the same time as the French authorities let out an Iranian embassy translator they wanted to question. Paris has consistently contested efforts to present this as a "hostage deal", and Britain accepts its assurances that no ransom was paid.

But there was an obvious political price for the release of Messrs Auque and Normandin: France has repaid the first tranche on a $1bn loan which it received from Iran under the Shah; it expelled a number of Iranian exiles working for the opposition Mujahedin e Khalq movement (though it was forced to readmit seven of them this week after they had been on hunger-strike for several weeks in Gabon); it has resumed efforts to normalise relations with Iran, whilst insisting that this process cannot be complete until all French hostages are released.

The French position is not as perfidious and inconsistent as it is sometimes portrayed in Britain. Ever since coming to power in 1985, Mr Chirac has argued that there is a distinction between treating directly with hostage-takers, which is plainly unacceptable, and dealing with other states, which requires compromise and consideration of a whole range of interests.

This argument cuts little ice with British officials, who insist that the close identification of Iran with the hostage-taking renders such a distinction meaningless. The recent moves have fostered something akin to despair in Whitehall

"The climate has deteriorated as a result of the French and German deals," said one observer. "Countries have been perceived as prepared to deal with Iran to secure the release of hostages. By definition, that makes life more difficult for those who are not prepared to deal."

Events over the last few months have also reinforced the lively cynicism in Beirut about Western attitudes. "The US, France and West Germany have given into blackmail and they have all paid a price to get their hostages out," observed a senior Moslem militia official, who is usually authoritative on the intricacies of hostage-taking in Lebanon. "They have all been negotiating, and the declared policy of not dealing with kidnap groups has turned out to be a joke."

It is all grist to the mill of the hostage-takers, who – in alliance with the adroit statecraft of Iran – have accomplished an astonishing amount since the current wave of kidnappings of foreigners began in 1985. Humbling an American president, making the West look impotent and divided and driving most foreigners out of Lebanon are no small achievements for a band of obscure political factions.

It may be because of this sense of achievement that Iran and the kidnappers seem more willing to reach limited deals, although the remaining captives are unlikely to be cheaply bargained away so long as Western governments feel under public pressure to secure the release of their hostages. Even in post-Irangate America, the issue of the remaining nine US hostages – including the longest-serving captive, the journalist Terry Anderson, who will have been a hostage for three years in March – is very much a live issue.

But in contrast to its European partners, the British Government would appear to be under virtually no pressure to reconsider its opposition to dealing with Iran or the hostage-takers. Before Mr Waite disappeared, he explicitly ruled out any deals being struck on his behalf.

He himself remains a special case. Rightly or wrongly, the kidnappers are believed to see a suspicious link between his hostage missions and the aborted efforts of Col Oliver North. It is also thought that they hold him personally responsible for failing to deliver on a promise to secure the release of 17 Shi'ite prisoners held in Kuwaiti jails for acts of subversion in the Gulf emirate.

Whatever the position of the British Government, Mr Waite remains the most prestigious prisoner in Lebanon. His captors seem likely to hold out for the best possible price for him.

Letters to the Editor

Technical analysis helps

From Mr Jack Defries.

Sir, When a journalist of the calibre and experience of Clive Wolman starts decrying in your "Lombard" column (January 7) the forecasting of the level of markets by investment managers and analysts, he should not be dismissive of those who use technical analysis.

There must be quite a few fund managers and others who use charts to assist them in formulating their views and making projections.

Consistently, technical analysis has been proved to give above-average results in forecasting; evidence for this is readily available.

While we have now bid 1987 goodbye, I am looking forward to 1986. No, not the year, but a level for the FT-SE 100-share index – and well before the end of 1988.

Jack Defries,
43 Brampton Grove,
Hendon, NW4.

Holidays depend on a degree of prudence

From Mr Colin Hedderwick.

Sir, While I agree with Mr Thornton's view (Letters, January 9) that the poor real investment return on market value of pension plan assets in 1987 does not automatically affect a company's ability to take a contribution holiday, I would query his logic in arriving at that conclusion.

He appears to believe that the market value of an asset and its income-producing potential are unrelated. In fact, the market value is the market's assessment on a given day of the asset's income-producing potential. One has only to read company reviews by market analysts to see the extent of the research into quoted companies' expected future earnings pattern.

What happened last October was that the market as a whole reassessed its view of this future earnings potential. Investors responded to this reassessment, and became net sellers, causing market values to fall.

It is certainly true that companies' actual future earnings are unaltered by the change in market values, and dividends for 1989 and following years will only be revealed by the passage of time. The market cannot have been right about future earnings both at the start of last October and at the end. Clearly this does not prove that a third assessment – by the actuary of the asset's income-producing potential – is correct.

In my experience, all actuaries have in practice revised their method of assessing income-producing potential over the years. I have no reason to think that this process of revision is at an end. When – and if – the actuary revises his view of income-producing potential downwards, his client's surpluses will decrease, and the company's ability to take a contribution "holiday" will reduce. The holiday is dependent on the subjective view of the actuary rather than the market's view of the future.

In fact, continuation of contribution holidays is dependent on the degree of prudence exercised by the actuary in his original advice, not simply on whether the assets are valued to reflect the actuary's subjective view of their value.

Colin Hedderwick,
The Wyatt Company (UK)
Park Gate,
21 Tothill Street, SW1

Problems if a fund is barely solvent

From Mr S.T. Presnell.

Sir, Having read Eric Short's article "Pension Fund Holidays Set Back," January 5), I am a little concerned that many readers may worry unnecessarily.

Advice given to trustees about the financial state of their pension funds is usually based on actuarial methods and assumptions which involve long term projections of income and outgo. In particular, the value placed on a scheme's assets depends on assumed future dividends, and so is generally unaffected by short term movements in market values.

Although the recent fall in the stock market was substantial, I would be surprised if it has caused many actuaries to revise their assumptions regarding the long term growth of dividends. It seems to me, therefore, that employers whose decision to suspend contributions was based on a discounted income method of financial control, need not now change their minds (unless the fund has a negative cash-flow).

There could be problems, however, for pension funds which were barely solvent on a discontinuance basis before October. If such a scheme were to wind up now it is likely that assets will need to be sold in the not-too-distant future, and it is quite possible that the fund would be insufficient.

This situation may not be so unusual. Any pension plan providing benefits for early leavers which are close to those for continuing members (for example, where the total pension is not much more than SERPS) may find the on-going funding level close to the discontinuance solvency level.

S.T. Presnell,
Prudential Pension Fund Services,
Abbey Gardens,
55 King's Road,
Reading, Berkshire

Pension funds and dividend growth

From Mr Robert A. Bourne.

Sir, Both Mr Thornton and Mr Wynne-Griffith (Letters, January 9) make the point that the real rate of growth of dividends at 12.6 per cent a year compound over the past six years has been considerably in excess of price increases of 4.8 per cent and pay increases of 7.8 per cent a year.

So may I ask why leading firms of actuaries only appear to allow a 4 per cent nominal growth of dividends in their actuarial valuations, and surely, therefore, there remains a useful hidden asset in pension funds?

Robert Bourne,
County NatWest Investment Management
28 Throgmorton Street, EC2

All City creatures great and small

From Miss J.M. Pick.

Sir, Stephen Cockburn (January 11) lists Sir Kenneth Berrill's City experience, and suggests that he is a good case of poacher turned gamekeeper.

But City game has become increasingly susceptible to forms of infectious pestilence spread fast by high technology. These arrived at a time which found Sir Kenneth too old to master the epidemiology and become a proficient vet.

Joan Pick,
23 Maybourne Grange,
Turnpike Link,
Croydon, Kent

It is fund managers who must take the blame for the losses

From Mr Keith Phair.

Sir, The frenetic covering of short dollar positions in the foreign exchange markets last week appears to me to have at least one factor in common with October's equity market crash, namely that many fund managers try to delay important asset reallocation decisions until the very point when the market turns.

Such a pervasive emphasis by fund managers on market timing has a much more serious effect on market stability than any of the mechanisms or processes used to control or operate in the markets. This forms the basis of the principal lesson to be drawn from the events of the last six months.

The reasons for the phenomenon are complex. They include rapid dissemination of information, concentration by fund managers on short term performance against indices or competitors, and the subordination of fundamental analysis to (so-called) technical analysis.

All these help well-informed fund managers feel comfortable about following their friend the trend – but get out quickly when the turn comes. Unfortunately, circumstances can conspire to make the turn apparent to everyone in the world at almost the same moment, resulting in a market where buyers overwhelm sellers, or vice versa.

Thus the UK's hurricane of October 16 combined with a sliding New York market between October 13-16 to ensure that the London stock market was dominated by sellers on October 19 – taking the FTSE 100 down 269 points (11.7 per cent) even *before* New York opened to the news of fresh trouble in the Gulf.

Similarly, last week's surprise appearance of the world's central banks buying dollars was also not a change in fundamentals, but certainly provided at least a temporary realisation that the dollar was not an automatic sale, as it rose more than 7 per cent in three days.

Why did so few fund managers sit back last summer and switch from equities to gilts (which then yielded more than three times as much, with real returns of over 6 per cent)? Why did they generally fail to conclude (before the central banks) that a dollar which had halved in value over the last 33 months (including a 17 per cent fall in the last five months of 1987) was beginning to look a little cheap, especially when the US trade volume data suggest that the next few months will see big improvements in the nominal trade deficit?

It is fund managers who must take the blame for the losses of their investors – after all, it is they who are paid to distinguish price from value, selling when price exceeds value and buying when value exceeds price.

It is quite wrong for such professional advisors to blame the market makers: a market maker's capacity to absorb stock without cutting price is not only limited by his capital but, more importantly, also by his judgement on whether the stock can be sold at a higher price within a reasonable time. It is not his job to bale out investors caught in a one-way market created by their own collective folly.

It is also wrong to blame the stock index "arbs" – but right to blame the widespread use of stock index futures for portfolio insurance which exacerbates the extent to which the markets can move in one direction without a major reversal. It is wrong to expect markets to be "liquid" enough to enable investors to escape the consequences of investment decisions which were not fundamentally sound.

Many people have "invested" in recent years in the expectation of a quick capital gain. They did not assess value, but merely relied on a greater fool to take them out at a profit.

The clear message for the future is that investors and their fund managers must be *responsible*, prudent and independent assessors of value in deciding asset allocation policy. They must justify their decisions with reference to fundamental value, not trends, charts, or fashions. They must accord the preservation of capital a higher priority than the maximisation of potential returns.

Fund managers must be instructed to do this by the trustees of the funds they manage, and individual investors must think before leaping on to passing bandwagons. Allocating assets on the basis of fundamentals can be extremely rewarding: one dollar-based fund manager of my acquaintance showed gains on a half equity/half bond fund of 62.2 per cent in 1986, and a further 19.5 per cent return in 1987 (a compound return of 22 per cent a year even in sterling terms). The more people invest on this basis, the more quickly the global markets will find solid support and rebuild confidence.

Finally, a cautionary note. Statistical distribution theories suggest that, for a market to be fairly valued, at least some people *must think them sufficiently undervalued* to continue to invest heavily. Hands up everyone who thinks that London residential property or the Tokyo stock and property markets are very cheap. I hope there are some, or we shall see further misleading stories of financial "collapse" appearing in the "popular" press.

Keith Phair,
Cherrystones,
Ellwood Road,
Beaconsfield, Buckinghamshire

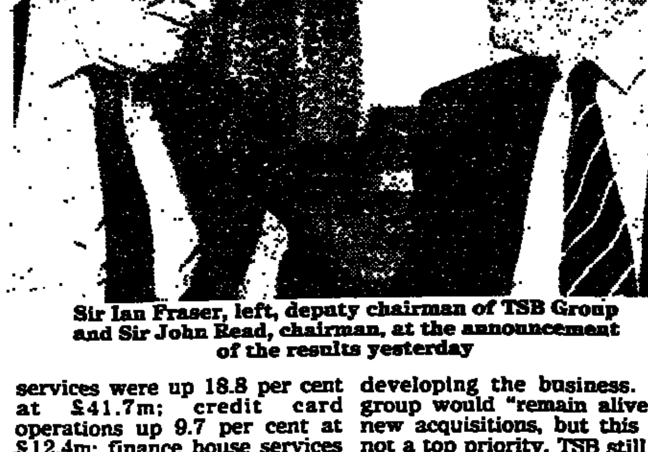
UK COMPANY NEWS

TSB meets expectations with rise to £275.5m

BY DAVID LASCELLES,BANKING EDITORR

THE Trustee Savings Bank Group yesterday reported a steady rise in profits for the year ending October 31 1987 – its first full year since its flotation in September 1986. And it said that after making several acquisitions, it is moving into a phase of consolidation.

The group earned profits before tax of £275.5m. However, this was for a 49-week period because of a change in its year- end. The comparable result for the first 49 weeks of 1986 was a profit of £205.6m.



Sir Ian Fraser, left, deputy chairman of TSB Group and Sir John Read, chairman, at the announcement of the results yesterday

TSB indicated that the best measure of its performance was the profit from its business operations which excludes income on the capital it is holding for investment – mostly the flotation proceeds. This amounted to £224.5m, an annualised increase of 19 per cent.

The final dividend will be 2.36p, making a total of 3.53p, an increase of 10.3 per cent. The results were in line with the City's expectations, and the share price closed unchanged at 116p.

Sir John Read, the chairman, described 1987 as "a year of sustained growth and achievement", and pointed out that the TSB's diversification efforts meant that non-banking business now accounted for 36 per cent of total profits.

Giving the breakdown of its profit sources, all on an annualised basis, TSB said that banking activities had earned £152m before tax, up 13.4 per cent. Insurance and unit trust services were up 18.8 per cent at £41.7m; credit card operations up 9.7 per cent at £12.4m; finance house services up 109.5 percent at £19.9m, and vehicle activities up 17.8 per cent at £8.6m.

The main features of the business included a 32 per cent rise in advances to customers to £6.8bn, including a 56 per cent rise in mortgage lending. On the other hand, the charge for bad and doubtful debts was down from £58m to £55m

Sir John said that the TSB now intended "to bed down" its acquisitions and concentrate on developing the business. The group would "remain alive" to new acquisitions, but this was not a top priority. TSB still has some £300m to spend, though part of this has been earmarked for internal development. The group could also raise £850m in the form of debt.

Shortly after the year-end, TSB bought Hill Samuel, the merchant banking group. Mr David Davies, the chief executive, said that areas of cross fertilization between the two companies would be developed.

See Lex, Back Page

Berisford revises cocoa deal

BY CLAY HARRIS

S&W Berisford, the sugar refiner and commodities trader, is no longer to issue up to 10.3m shares to W R Grace, the US conglomerate, as part of the two companies' plans to combine their worldwide cocoa-processing interests.

Berisford said yesterday that the joint venture, first announced in June last year, had been renegotiated. Details are expected to be announced within a few weeks.

Each company will contribute the same processing plants, Berisford's in West Berlin and the Netherlands, and Grace's in the Netherlands, Singapore and the US, to the venture. The plants can process a total of 180,000 tonnes of cocoa beans a year – about 10 per cent of world capacity.

Although operating arrangements have not been changed, the venture will now begin with few liquid assets and very little debt. Funds will be raised through its own borrowing rather than from the parent groups.

Under a new simplified structure, Berisford's share of profits is likely to fall from the original 32 per cent to about 25 per cent, based on the proportion of assets it is contributing to the venture.

There is not believed to have been any material change from figures published in October when Grace warranted net assets of at least $156m (£88m) and Berisford said its plants were worth no less than $51m.

Berisford believes, however, that its share of the combined profits will still be higher than those from its own plants.

The revision announced yesterday was the second since the proposed venture was unveiled. Limits on the price at which the Berisford shares had already been revised.

The sharp fall in Berisford's share price after Associated British Foods withdrew its £767m takeover bid in November, had made the share issue less attractive to both parties.

Grace was less keen to take on shares so prone to fluctuation and in a company over which there is still long-term uncertainty. For Berisford, issuing more shares at a lower price would have increased the threat of earnings dilution.

ABF's withdrawal, moreover, means that Berisford no longer has an imminent need to place an additional 5 per cent shareholding in friendly hands.

Wigfalls loss rises to £0.84m

Wigfalls, electrical retail group, has reported that the financial outcome of the sale of its rental and services operations in the period under review has been less satisfactory than envisaged.

The pre-tax loss in the half-year to end October 1987 rose to £837,000, compared with £697,000 in the same period of last year. For the full year the group made profits of £316,000, due mainly to a turnround in the second half.

Turnover in the latest period was £27.94m (£26.5m). This included £27.29m from retail operations and £652,000 from rentals.

The directors said that following the disposal, customer dissatisfaction with service , which it no longer provided direct, had resulted in lost business. This and other factors such as customer terminations prior to the transfer date had adversely effected the financial success of the sale.

An extraordinary item of £1.5m represents a provision relating to the disposal. Since some key elements are still being discussed it is intended to include the final cost as an extraordinary item in the year-end accounts.

Electrical goods sales were disappointing in October and November and although they improved during December and January the directors thought that lower retail prices would have affected profitability.

The group believes that the success of its large out of town stores confirms the long-term strategy of concentrating on larger retail units is correct. The need remains for a rapid increase in subsidiary units.

Loss per share increased to 18.5p (15.9p).

Pru new life business advance

BY ERIC SHORT

A SUCCESSFUL year for new life and pension business in its worldwide operations in 1987 is reported by the **Prudential Corporation**, insurance and financial services group.

Single premiums surged from £817m to £1.28bn and new annual premiums climbed from £324.7m to £372.2m. The underlying growth rates, allowing for exchange rate changes, the acquisition of the US life company Jackson National Life and the ending of the South African operations, were 42 per cent for single premiums and 13 per cent for new annual premiums.

The market regarded these results as highly satisfactory, the share price rising 16p to close at 344p.

In its UK operations, new annual premiums on its ordinary and industrial business rose by 11 per cent from £179.7m to £200.1m and single premiums by over 60 per cent from £66.4m to £109.2m.

The highlight of these results was the success of its new Prudential Personal Pensions Plan, launched in May, which enabled sales of individual pension policies to increase by more than a third to £51.2m.

This continued success of Prudential in the individual pensions field augurs well for the future new pensions environment coming into operation from April.

The growth in single premium business reflected the success of the Prufund investment bonds.

The new business operations of Prudential Holborn, which incorporates the results of Vanbrugh prior to its incorporation into the new company, showed new annual premiums up from £4.5m to £6.3m, but single premiums down slightly from £103.7m to £101.7m.

This latter figure reflects the greater emphasis now placed on unit trust sales, which more than doubled last year from £311m to £647m.

UK group pensions business showed a slight increase in new annual premiums from £25.4m to £26m and greater growth in single premiums from £138.3m to £162.4m.

Overseas life and pension operations showed steady progress in Australia, where sales of investment bonds saw single premiums more than treble and new annual premiums up nearly 50 per cent.

GrandMet lifts bid for Martell to £457m

By Lisa Wood

THE BATTLE for control of Martell, the French cognac house between Grand Metropolitan, the UK drinks group, and Seagram, the Canadian drinks group, intensified yesterday with GrandMet launching a final offer of FFr 3,300 per share, valuing the company at FFr 4.57bn (£457m).

The bid tops by more than 10 per cent the Seagram bid for Martell, made earlier this week, which offered FFr 2,975 a share and leap-frogged a FFr 2,825 a share bid by GrandMet.

Family-controlled Seagram is Martell's preferred owner and the Martell family made its feelings clear when it received the last Seagram offer. Seagram said yesterday that it had no reason to believe that Martell had changed its mind.

However, the latest GrandMet bid will clearly force Seagram to review the situation. Any higher bid under French law would have to be five per cent higher than that of GrandMet.

The French Finance Ministry gave the go-ahead this week for both of the competing foreign bids for Martell, France's second largest cognac house after deliberations on whether an initial private deal between Seagram and Martell infringed French stock exchange rules.

GrandMet, which already owns 19.9 per cent of Martell and has a distribution agreement with the company said that the offer was conditional on it acquiring 50.1 per cent of the company in which Seagram has a stake of 12 per cent and the Martell family controls 41 per cent. Comparable offers will be made for the convertible bonds of Martell.

The offer represents a multiple of 28 times after tax earnings forecast by Martell for the year ended June 30 1988 taking into account shares of Martell already owned by GrandMet.

Mr Allen Sheppard, chairman and group chief executive of GrandMet, said :" At this price our estimates show that in the next full year the effects on GrandMet's profits will be neutral and that an increase in earnings per share will be achieved in subsequent years.

Both Seagram and GrandMet are keen to acquire the Martell cognac brand with GrandMet also wishing to acquire the cognac house because of its strategic importance in expanding markets such as the Far East.

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Enterprise Oil

Enterprise Oil, the independent oil company, has sold its 1.56 per cent interest in the Fulmar Field to Amoco, another participant in the North Sea field.

Enterprise did not disclose the price, although it said the field accounted for 4 per cent of its oil production in 1987. The Enterprise share in the field was scheduled to yield 2,230 barrels a day in 1988, and 1,800 b/d in 1989.

Enterprise said the sale would allow the company to achieve a better balance between its exploration activity and liabilities under the petroleum revenue tax.

British Gas

British Gas yesterday said it would pay £250m to the Treasury in April – after the March 31 end to its accounting year – as the second instalment for repayment of its £2.5bn Government debenture, which was issued at the time of privatisation. Payment is according to a schedule in the prospectus, with the final payment due in 1992.

Queensway sells Home Charm

BY MAGGIE URRY

Harris Queensway yesterday sold another of its peripheral activities – Harris Home Charm, the paint and wallpaper retail chain, acquired less than two years ago from Great Universal Stores – as part of its strategic return to its core furniture and furnishings business. Last November Harris Queensway sold its loss-incurring electrical chain, Ultimate, to Woolworth for £8m.

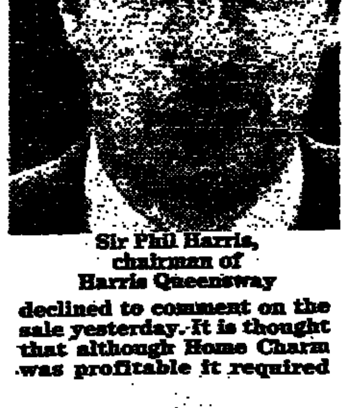
The buyer this time is A G Stanley, which already has a large high street presence in the home decorative market through its Fads and Decor 8 chains. Stanley is paying a total of £7.5m in cash for Home Charm. Of that, £1.3m will be paid to Home Charm to repay a loan of that amount from Harris Queensway.

The acquisition will take Stanley's store count over 500 with around 1.4m square feet of selling space, and will take it in to 75 towns where it did not previously have an outlet.

Home Charm was trading profitably, making £546,000 before tax and exceptional items in the 43 weeks to January 25 1987. However, Harris Queensway bore exceptional costs of £3.2m involved in rationalising the product range and closing unprofitable stores.

The purchase price was 54m Harris Queensway shares, worth £133m when the deal was put to shareholders in July 1986 and the share price was 246p. Yesterday's closing price for the shares was 130p, up 4p.

Harris Queensway



Sir Phil Harris, chairman of Harris Queensway

declined to comment on the sale yesterday. It is thought that although Home Charm was profitable it required too much management attention at a time when Harris Queensway's priorities are to solve its problems elsewhere.

Stanley will finance the acquisition and raise some further cash through an issue of 8.2m convertible preference shares at 100p which will be offered to existing shareholders on a two-for-nine basis. Williams Holdings, which has a 25.8 per cent stake in Stanley, said yesterday that it will take up its entitlement.

The convertible preference shares will carry a fixed annual coupon of 5.75p net and will be convertible at a price of 180p per ordinary share, compared with yesterday's closing price of 172p, down 2p, between May 1991 and May 2003.

Maggie Urry considers A.G.Stanley's latest expansion

Dominating the high street decorators

HAVING BEEN vociferous in its successes, and loud even when its troubles started, Harris Queensway is keeping as quiet as possible while it struggles to regain its footing.

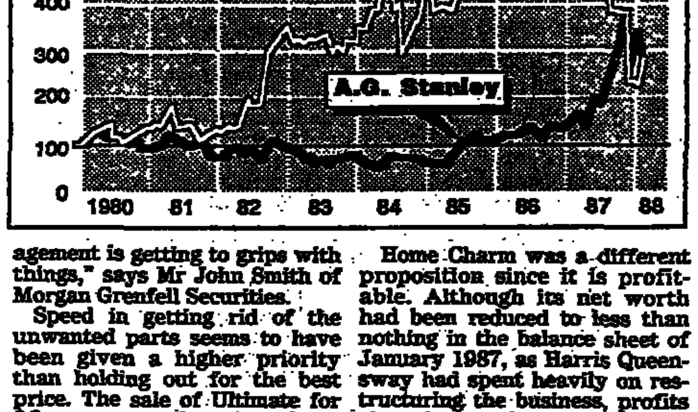
Its past is well documented – the rapid expansion, a more frenzied diversification in the mid-eighties, and the eventual downfall last summer when Sir Phil Harris, chairman, forecast a sharp fall in profits for the present year.

The present is less so. Only the arrival of new management and the sales of Ultimate and now Home Charm have overlaid the usual trading reports.

Yet if Harris Queensway does recover – and at least one retail analyst has picked it as his share of 1988 – these last and next few months will prove to have been the turning point.

Yesterday the sale of Home Charm was greeted by the City as a sign of the new management's determination. Mr Martin Watts, chief executive, arrived in June last year and started a strategic review of the business.

"The money is not much but it's another sign that the management is getting to grips with things," says Mr John Smith of Morgan Grenfell Securities.



Speed in getting rid of the unwanted parts seems to have been given a higher priority than holding out for the best price. The sale of Ultimate for £8m, compared with a book value of £12m, seemed a good buy for Woolworth, though the difficulties in electrical retailing since makes Harris Queensway's timing look better.

Home Charm was a different proposition since it is profitable. Although its net worth had been reduced to less than nothing in the balance sheet of January 1987, as Harris Queensway had spent heavily on restructuring the business, profits since have taken the number positive again.

While Harris Queensway was enduring its troubles, A.G.Stanley was recovering from the difficulties it experienced in the early part of the decade.

Here too the story is one of new management. Although the worst was behind Stanley when Mr Roger Regan, group managing director, arrived in 1985, it was he who introduced the current trading philosophy and took the two major expansion steps – acquiring Jacoa, the Decor 8 group, last August and Home Charm.

The philosophy reflects the belief that when it comes to the decorating end of do-it-yourself it is women who choose the paints, wallpapers and fabrics. And women, Mr Regan asserts, are happier shopping in the high street than in huge out-of-town sheds.

With Home Charm "we are now totally dominating the high street. It makes us a very big business in our field," says Mr Regan. With more than 500 shops Stanley will have 14 per cent of the UK paints market and 17 per cent of the wallcovering market.

Mr Regan is confident in predicting that there will be no dilution of Stanley's earnings as a result of the Home Charm acquisition.

Doyle considers move in Waverley battle

BY CLAY HARRIS

MR KEVIN DOYLE, the Edinburgh businessman who is opposing the terms of Mr James Gulliver's proposed management buy-in at Waverley Cameron, yesterday considered his next move in the battle for the Scottish stationery manufacturer.

Waverley Cameron said on Thursday that one factor which led it to prefer proposals from Mr Gulliver's Sanda Investments over rival suggestions from Mr Doyle's Flavell Communication was "the suitability of Mr Doyle as a potential controlling shareholder."

This is believed to refer to Mr Doyle's conviction for fraud in the High Court in Edinburgh in June 1978. He was sentenced to nine months in prison after being found guilty of defrauding a woman out of £2,165 in connection with building work more than five years previously.

He repaid the full amount between the time of his conviction and his sentencing.

Mr Doyle said yesterday: "I am aware of the situation, and I do not feel that this has any relevance to my objections to the Sanda deal with Waverley Cameron."

He believes the share issue which would raise Sanda's stake from 12.9 per cent to 64 per cent should be priced at 270p, rather than the proposed 120p. Flavell owns 20.4 per cent of Waverley Cameron.

Waverley Cameron said the proposal to be put to shareholders at an extraordinary meeting – to be held in about a month's time – would be in the form of ordinary resolutions, requiring only a simple majority of votes cast.

Kenyon £11.5m expansion

BY DAVID WALLER

Kenyon Securities, one of the three funeral directors quoted on the Unlisted Securities Market, is expanding with the £11.5m acquisition of Dottridge Brothers, Hertfordshire-based undertakers and monumental masons.

The purchase is to be financed by the issue of new shares to the vendors and by a vendor placing to raise £7.54m in cash. It will increase the number of Kenyon's branches by 35 to 101 and take the number of funerals handled each year from 12,500 to more than 18,000.

A total of 4.2m new shares are to be issued, some 32 per cent of the enlarged equity. Of these, 1.4m will be retained by the vendors and the balance placed by William de Broe Hill Chaplin & Co at 270p per share.

Pompes Funebres Generales, the Paris-based funeral group which holds 10 per cent of Kenyon's equity, has underwritten the whole of the placing element of the issue which could leave it with 28 per cent of the enlarged share capital. There is no claw-back facility.

Dottridge made pre-tax profits of £426,000 on turnover of £3.5m in the year to April 1987, compared to profits of £824,000 at Kenyon last year on £5.25m turnover.

Dottridge's branches are located in London, south-east England and East Anglia, areas adjacent to those covered by Kenyon.

Placing of Butte shares

BY KENNETH GOODING, MINING EDITOR

Warburg Securities has placed with clients 8m shares in **Butte Mining**, which gained a London quotation last October.

The shares, representing 13.33 per cent of Butte, went to Warburg's clients for 130p each compared with 100p when 25 per cent of the company was floated last year.

Butte's price last night closed at 135p, down 10p.

Dr Roy Bichan, Butte's chairman, said last night that the shares placed by Warburg had come from existing shareholders but that none had been sold by Robertson Research, the UK listed mining consultancy which owns 16.7 per cent of the Butte equity.

Mr Bichan also announced a significant increase in Butte's proven mineral reserves and that production would start later this year, about 12 months earlier than previously anticipated.

Based on current metal prices, the undiscounted pre-tax net worth of the recoverable, in-situ metal reserves, after operating and capital costs, is expected to be more than $200m compared with the value of "not less than $137m" given at the time of the listing, he added.

Butte expects shortly to conclude custom milling contracts for production capacity of up to 1,000 tons a day, which will be in addition to that originally planned.

Sears acquires more shares in Freemans

Sears, the retail, betting and jewellery group currently waging a £477m bid battle for mail order group Freemans, has lifted its stake in its target by a further 0.1 per cent to 29.2 per cent. The announcement followed the purchase of 192,000 shares at 315p – the value of its cash bid.

Freemans, meanwhile, has written again to shareholders stating that "Sears arguments are unsupported rhetoric aimed at stampeding you into accepting its inadequate offer".

In particular, the target company maintains that the difficulties in June were caused entirely by the weather rather than *management*, and says that Sears' attack on the new 'SW5' specialogue is 'misconceived'.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§72	F.P.	-	78	70	Atlantic Securities 5p	78		-	-	-	-
130	120	-	92	70½	British Petroleum	74	+1½	R12.5	1.5	6.0	14.1
-	F.P.	-	4½	2	EFM Dragon Tst. Wrrnts.	4½		-	-	-	-
†	F.P.	-	268	231	English & Caledonian Inv.	231		-	-	-	-
†	F.P.	-	125	67	Hard Rock A (R-Vtg) 2p	79	+12	L1.53	3.3	2.7	14.1
§100	F.P.	-	113	100	Hatfield Estates 10p	113	+3	R1.5	10.2	1.8	7.4
85	F.P.	15/1	100	93	Intl. Colour	98		L1.0	7.4	1.4	13.2
-	F.P.	-	362	262	LeRochcryses NPV	312		-	-	-	-
†	F.P.	-	36	23	Mowat Group 10p	35		-	-	-	-
§18	F.P.	23/12	23	19	Pathfinders Grp. 5p	23	+1	b0.29	3.9	1.7	20.1
§100	F.P.	-	109	103	Sherco Grp.	107		R3.65	2.7	4.7	10.8
3	F.P.	-	4	3½	Swanyard Studios	4	+½	-	-	-	22.8
§114	F.P.	-	121	115	Sykes-Pickavant 10p	121		R5.25	2.0	5.9	11.4
§165	F.P.	-	220	200	Tatara £1	213		b1.0	8.1	0.6	21.9
§70	F.P.	-	73	59	Trevian Hldgs. 10p	60	+1	R2.0	4.6	4.6	6.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
-	-	-	110	90½	Ansbacher(H.)9pc.Cnv.Sub.Ln.1998	102½	
-	F.P.	-	127	123	Blue Circle 7¼pc Cnv.Cum.Red.Pref.	127	
100	F.P.	-	109	106	Citygrove 7½pc. Cum.Cnv.Red.Pf.£1	109	
§91.54	£50	11/2	50	48¾	Brit.&Comm.10½pc.Un.Ln.2012	49	
‡	F.P.	-	121½	113½	Granada 7½pc.Cv.Pf	121½	
100	F.P.	21/1	48	43	Housing Fin.5pc.Deb.2027	45¼	+¼
100	F.P.	21/1	757	700	Do. Zero Deb.2012	738	
-	F.P.	-	100¾	99½	N'wide Anglia 9¼pc 28.11.88	99¾	
-	F.P.	-	100¼	99¾	Do. 9¾pc 28.12.88	99¾	
165p	Nil	-	22pm	17pm	Sharpe & Law 8½pc.Cn.Rd.Pf 10p	17pm	-3
100p	F.P.	-	115p	100p	Wiltshire Fixed Rate Cnv.Cum.Red.Pf.	113	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
28	Nil	-	10pm	7pm	Handprint	8pm	
27	Nil	-	2½pm	1pm	Whessoe 10p	1pm	

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. Z Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a rights. † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ✦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

Philip Coggan looks at the latest boardroom battle involving Bremner's durable Rowland-Jones

Corporate character squares up for another showdown

AS OPERA buffs well know, "It's never over till the fat lady sings." Mr James Rowland-Jones may be removed from the chairmanship of Bremner at Monday's extraordinary general meeting, but he has ensured that defeat at Glasgow's Central Hotel will not be his swan song.

If Mr Rowland-Jones is outvoted on Monday, a requisition for a further EGM, on March 24, will automatically come into effect. At that meeting, Mr Rowland-Jones will propose his reinstatement and the removal of his opponent, Glasgow stockbroker, Mr Dennis McGuinness.

It is a typically resourceful move by Mr Rowland-Jones, 61, who has been battling in and out of the boardroom for more than 20 years. In 1967, he was involved in a bid battle for Retia Phoenix, and later he successfully fought his way on to the boards of Raglan Property Trust and the boots and balloons manufacturer Phillips Patents.

But "Have-a-go Jim", as he was nicknamed, became most famous during a boardroom battle at Land and General Securities. His opponent was Napet Securities, the vehicle of Ms Penny Brahms, an ex-model. She inherited the Land and General stake in the will of her former husband after a previous will, in which she was left a shilling and four nude pictures of herself, was proved a forgery.

The publicity surrounding the case created Mr Rowland-Jones's reputation as the "shareholders' friend" but in recent years, he has done most of his fighting inside the boardroom.

Mr Rowland-Jones' style has not toned down with age. His chairman's circulars are a heady mixture of financial detail and personal allegations, stirred with a liberal helping of capital letters, bracketed asides, and sentences in bold. **"YOU ARE BEING ASKED TO VOTE WITH A BAG OVER YOUR HEAD"** he told shareholders in a recent missive.

His sense of humour is not confined to circulars. In a letter to the Department of Trade and Industry, following the appointment of inspectors to investigate share transactions in the company, Mr Rowland-Jones invited an official to attend Bremner's EGM. "Your undercover disguise will be respected," he added.

Not everyone appreciates such sallies, and ever since Mr Rowland-Jones moved into Bremner, he has faced one challenger after another.

The rhetoric has occasionally seemed out of proportion to the stakes involved. At the beginning of 1985, Bremner was a sleepy Glasgow department store making pre-tax profits of just £5,000. And even this year's interim profits were just £137,000.

Bremner has a few tangible attractions. The store has now been closed, creating property development potential; there is about £4m in cash; and the company owns Carswell, the Glasgow stockbroking firm behind the current move to oust Mr Rowland-Jones.

The key to Bremner's turbulent history is its potential as a "shell" company. It briefly attracted Sir Hugh Fraser, the ex-chairman of House of Fraser, before businessman Mr Michael Black moved in as Bremner chairman. When he acquired Phillips Patents the redoubtable Mr Rowland-Jones, Phillips' chairman, arrived on the scene.

Mr Rowland-Jones ousted Mr Black in April 1986 and followed that success by defeating a challenge from City and Westminster Financial, a group headed by ex-Slater Walker executive, Mr Andrew Greystoke.

Each dispute was punctuated by acrimonious statements from Mr Rowland-Jones and his opponents. But at the EGMs, it invariably seemed to be Mr Rowland-Jones who had the best tactics and the most vocal support from small shareholders.

If Mr Rowland-Jones hoped for peace after acquiring Carswell last June, he was disappointed. In November, Mr McGuinness called for his removal at an EGM on the grounds that Bremner needed directors with more experience of financial services.

Mr Rowland-Jones wanted to hold the EGM this coming June, on the grounds that only then would Carswell's profits for the current year be revealed. As the acquisition consideration for Carswell was dependent on those profits, Mr Rowland-Jones argued that it would not be in shareholders's interests for Carswell nominees to be the only directors in office.

However, Mr McGuinness disputes these points and managed to win approval for an earlier EGM date in the Scottish courts. He now claims the support of 5.7m proxy votes, nearly enough to secure victory on Monday.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JANUARY 14 1988					WEDNESDAY JANUARY 13 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	97.92	–1.0	79.81	91.62	4.94	98.94	80.38	92.26	180.81	85.36	102.11
Austria (16)	93.23	–0.2	75.99	79.29	2.64	93.46	75.92	79.29	102.87	85.53	100.93
Belgium (48)	101.30	–0.4	82.57	85.81	5.53	101.72	82.64	86.05	134.89	94.63	102.86
Canada (127)	109.90	–0.4	89.57	102.78	3.09	110.30	89.61	102.92	141.78	98.15	108.32
Denmark (38)	114.66	–0.3	93.45	98.13	3.02	115.04	93.45	98.10	124.83	98.18	114.54
Finland (23)	108.88	–1.0	88.75	91.28	1.63	110.01	89.37	91.85	–	–	–
France (124)	81.05	+0.1	66.06	70.31	4.21	80.99	65.79	70.03	121.82	77.39	108.39
West Germany (94)	72.12	+0.5	58.78	61.38	3.03	71.77	58.31	60.95	104.93	68.91	97.96
Hong Kong (46)	92.14	+1.1	75.10	92.04	5.71	91.18	74.07	91.03	158.68	73.92	100.85
Ireland (14)	109.03	+0.4	88.87	94.69	4.78	108.60	88.22	94.08	160.22	93.50	109.68
Italy (94)	74.48	–1.1	60.71	67.08	2.85	75.33	61.20	67.51	112.11	72.04	104.00
Japan (457)	141.37	+1.4	115.22	113.22	0.62	139.47	113.30	111.61	161.28	100.00	105.65
Malaysia (36)	114.60	–0.1	93.40	111.86	3.34	114.67	93.16	111.56	193.64	93.76	109.80
Mexico (14)	96.16	+2.1	78.37	235.50	1.51	94.16	76.50	230.62	422.59	94.16	118.59
Netherland (37)	96.24	+0.3	78.44	80.71	5.58	95.98	77.97	80.36	131.41	87.70	104.72
New Zealand (24)	78.10	–0.8	63.65	62.69	5.54	78.71	63.94	63.28	138.99	73.39	96.15
Norway (24)	103.46	–1.8	84.32	88.75	3.08	105.35	85.58	90.05	185.01	95.51	105.27
Singapore (26)	100.30	+0.6	81.75	93.79	2.58	99.71	81.00	93.07	174.28	81.21	109.09
South Africa (61)	130.20	–0.4	106.12	87.59	4.87	130.75	106.21	87.95	198.09	100.00	114.06
Spain (43)	133.18	+0.6	108.55	112.30	3.60	132.35	107.51	111.09	168.81	100.00	116.04
Sweden (34)	97.67	–0.1	79.61	85.81	2.67	97.81	79.46	85.72	136.64	88.50	94.14
Switzerland (53)	78.06	+0.1	63.63	64.63	2.57	77.96	63.33	64.28	111.11	73.65	103.36
United Kingdom (331)	130.89	+0.3	106.68	106.68	4.37	130.49	106.00	106.00	162.87	99.65	108.26
USA (588)	100.28	+0.0	81.74	100.28	3.69	100.29	81.48	100.29	137.42	91.21	109.78
Europe (973)	101.36	+0.2	82.61	84.97	3.99	101.19	82.20	84.56	130.02	92.25	105.15
Pacific Basin (682)	137.77	+1.3	112.29	111.43	0.85	136.03	110.51	109.93	158.77	100.00	105.34
Euro–Pacific (1655)	123.24	+0.9	100.45	100.84	1.89	122.13	99.22	99.77	143.65	100.00	105.26
North America (715)	100.79	+0.0	82.15	100.44	3.65	100.83	81.91	100.46	137.55	91.68	109.71
Europe Ex. UK (642)	83.07	+0.0	67.71	71.28	3.62	83.04	67.46	71.04	111.97	78.89	99.25
Pacific Ex. Japan (225)	94.36	–0.2	76.91	89.14	5.07	94.56	76.82	89.16	164.03	82.92	102.47
World Ex. US (1857)	122.84	+0.9	100.12	100.88	1.96	121.81	98.95	99.87	143.38	100.00	105.48
World Ex. UK (2114)	112.46	+0.6	91.66	100.02	2.33	111.80	90.83	99.35	138.82	100.00	107.07
World Ex. So. Af. (2384)	113.99	+0.6	92.91	100.71	2.52	113.35	92.08	100.04	139.47	100.00	107.13
World Ex. Japan (1988)	101.04	+0.0	82.35	94.51	3.84	101.01	82.06	94.36	134.22	92.98	107.89
The World Index (2445)	114.10	+0.6	93.00	100.64	2.54	113.46	92.17	99.98	139.73	100.00	107.17

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	2,700	Enterprise Oil	640	Prudential	167
Allied-Lyons	2,000	Fisons	4,700	Racal	2,600
Amstrad	2,800	Gen. Accident	615	Rank Org.	462
Argyll Group	1,400	Gen. Elect.	18,000	RMC	529
Assoc. Brit. Foods	695	Glaxo	4,600	RHM	908
BAA	2,300	Globe Investment	703	Reckitt & Col.	211
BAT	7,200	Granada	1,800	Redland	1,800
BET	2,800	Grand Met	4,400	Reed Intl.	2,900
BICC	241	GUS A	352	Reuters	1,400
BOC	2,200	Guardian R.E.	169	RTZ	2,300
BPB Inds	1,000	GKN	985	Rolls-Royce	6,400
BTR	4,900	Guinness	3,700	Rothmans	639
Barclays	1,900	Hammerson	659	Rowntree	743
Bass	400	Hanson Trust	16,000	Ryl Bank Scotland	420
Beecham	4,700	Hawker Sidd	1,200	Royal Insurance	1,600
Blue Arrow	2,400	Hillsdown Hldgs	3,000	STC	6,300
Blue Circle	4,400	IMI	421	Saatchi & Saatchi	1,300
Boots	2,900	ICI	4,000	Sainsbury	911
Brit. Airways	5,600	Jaguar	4,200	Scott & Newcastle	442
Brit. Aero	1,500	Ladbroke	600	Sears	2,600
Brit. & Comm.	1,000	Land Securities	2,700	Sedgwick	1,500
British Gas	12,000	Laporte	2	Shell Trans	1,500
Britoil	7,300	Legal & Gen.	1,600	Smith & Nephew	1,409
BP	4,400	Lloyds Bank	3,000	Standard Chart.	792
Brit. Telecom	5,600	LASMO	850	Storehouse	1,800
Bunzl	1,900	Lonrho	2,600	Sun Alliance	338
Burmah Oil	144	Lucas	297	T & N	456
Burton	4,700	MEPC	1,500	TSB	4,900
Cable & Wire	4,600	Marks & Spencer	7,400	Tarmac	1,700
Cadbury Schweps	1,900	Maxwell Comms.	934	Tesco	2,800
Coats Viyella	3,100	Metal Box	604	Thorn EMI	2,400
Comm. Union	2,700	Midland Bank	1,500	Trafalgar House	1,200
Cons. Gold	694	NatWest Bank	1,400	T'house Forte	3,800
Cookson	466	Next	1,100	Ultramar	2,600
Courtaulds	1,200	Northern Foods	168	Unilever	2,200
Dalgety	115	Pearson	1,100	United Biscuits	1,000
Dee Corpn	4,700	Pearl Assurance	358	Wellcome	978
Dixons Group	3,600	P & O	724	Whitbread A	1,500
English China Clays	326	Pilkington Bros	10,400	Woolworth	1,100
		Plessey	2,800		

ECONOMIC DIARY

TOMORROW: National Savings monthly progress report (December).

MONDAY: CBI/FT survey of distributive trades (December). Retail sales (December-provisional). Mr Eduard Shevardnadze, Soviet Foreign Minister, pays two-day visit to Bonn. European Parliament in session in Strasbourg. EC Agriculture Council meets in Brussels (until January 19). Mr Paul Volcker, former US Fed chairman, and Mr Jacques de Larosiere, Bank of France governor, at Le Monde seminar in Paris.

TUESDAY: Building societies monthly figures (December). Index of output of the production industries (November). Cyclical indicators of the UK economy (December). Public sector borrowing requirement (December). Mr Shevardnadze visits Spain (until January 22). Restart of perjury trial of former Finance Minister Mr Hannes Androsch, now head of Austria's largest bank. CBI conference on quality at Centre Point, London. The Which ? Computer Show opens at the National Exhibition Centre, Birmingham. Management Forum holds conference "Expert systems in business and the professions" at Cafe Royal, London, W1.

WEDNESDAY: Provisional estimates of monetary aggregates (December). Index of production and construction for Wales (third quarter). Leaders of five-continent peace initiative meet in Stockholm (until January 22). Royal Institute of Chartered Surveyors makes statement on inner cities initiative. Mr Diego Cordover, UN mediator, arrives in Islamabad for next stage of shuttle negotiations for Afghan peace settlement.

THURSDAY: London and Scottish banks monthly statement (December). Preliminary estimate of consumers' expenditure (fourth quarter provisional). CBI budget suggestions. Institute of Personnel Management holds conference "Preparing to win at an industrial tribunal" at Rembrandt Hotel, London.

FRIDAY: NUM holds presidential pithead ballot. Advertising Association makes statement on evidence given to ministerial group on alcohol abuse. Mr Jacques Chirac, French Prime Minister, makes television address in which he is expected to announce he is running for president.

FT – ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS	Friday January 15 1988						Thu Jan 14	Wed Jan 13	Tue Jan 12	Year ago (approx)	Highs and Lows Index			
	Figures in parentheses show number of stocks per section	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Index No.	Index No.	Index No.	Index No.	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (208)	743.69	+1.7	9.66	3.89	12.98	0.15	731.61	728.95	733.96	755.85	1038.07 16/7/87	618.07 10/11/87	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (30)	982.49	+2.2	10.03	3.83	12.40	0.43	961.68	963.51	967.32	921.02	1381.08 16/7/87	798.03 4/12/87	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (33)	1425.97	+1.3	9.39	3.51	14.14	0.38	1407.57	1397.65	1409.18	1279.86	1951.50 16/7/87	1115.39 10/11/87	1951.50 16/7/87	71.48 2/12/74
4	Electricals (12)	2040.27	+2.1	9.14	4.74	14.17	0.00	1998.43	1995.60	2016.08	1915.85	2733.45 20/7/87	1661.76 10/11/87	2733.45 20/7/87	84.71 25/6/62
5	Electronics (32)	1530.44	+1.0	10.42	3.40	12.53	0.00	1514.90	1513.29	1516.68	1663.65	2236.70 17/7/87	1375.66 1/12/87	2236.70 17/7/87	1229.01 8/10/85
6	Mechanical Engineering (57)	386.79	+2.0	9.62	4.26	13.09	0.14	379.38	376.23	381.85	430.46	544.57 14/10/87	296.26 10/11/87	544.57 14/10/87	45.43 5/1/75
8	Metals and Metal Forming (7)	455.15	+0.4	9.28	3.68	13.00	0.00	453.33	451.83	451.60	403.04	596.67 9/10/87	348.64 9/11/87	596.67 9/10/87	49.65 6/1/75
9	Motors (13)	281.00	+2.8	10.70	4.14	10.87	0.00	273.34	269.68	270.63	294.80	411.42 13/10/87	221.69 4/12/87	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (24)	1254.77	+1.5	8.31	4.14	14.30	0.13	1236.73	1231.99	1242.99	1297.55	1736.80 22/9/87	1051.78 10/11/87	1736.80 22/9/87	277.56 15/1/81
21	CONSUMER GROUP (185)	1043.30	+2.2	8.45	3.48	15.08	0.28	1021.23	1012.30	1020.83	1004.43	1406.32 16/7/87	919.77 9/11/87	1406.32 16/7/87	61.41 13/12/74
22	Brewers and Distillers (21)	990.34	+1.9	11.19	3.98	11.34	0.02	971.43	964.13	965.72	952.28	1269.35 16/7/87	877.37 9/11/87	1269.35 16/7/87	69.47 13/12/74
25	Food Manufacturing (23)	856.59	+2.2	8.97	3.76	14.30	1.06	837.93	823.89	831.04	768.99	1092.25 16/7/87	726.65 9/11/87	1092.25 16/7/87	59.67 11/12/74
26	Food Retailing (16)	2108.18	+2.1	7.58	2.88	17.51	0.00	2064.86	2046.15	2056.36	1958.63	2649.96 16/7/87	1848.05 10/11/87	2649.96 16/7/87	54.25 11/12/74
27	Health and Household Products (10)	1806.09	+3.6	6.50	2.49	18.35	0.00	1743.49	1708.33	1719.49	1777.39	2699.85 16/7/87	1598.82 10/11/87	2699.85 16/7/87	175.38 28/5/80
29	Leisure (31)	1176.47	+2.2	7.38	3.88	16.90	0.00	1151.84	1146.73	1156.75	1050.60	1504.79 13/10/87	943.07 9/11/87	1504.79 13/10/87	54.83 9/1/75
31	Packaging & Paper (16)	500.64	+1.6	8.47	3.66	15.54	0.24	492.74	499.99	508.15	540.81	739.48 16/7/87	427.56 10/11/87	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (16)	3468.94	+1.8	6.42	4.25	19.69	3.39	3407.87	3445.82	3448.57	2999.76	5070.66 5/10/87	2713.49 2/1/87	5070.66 5/10/87	55.08 6/1/75
34	Stores (35)	834.86	+0.9	9.03	3.63	14.86	0.81	827.92	821.87	833.16	879.38	1160.58 29/7/87	749.46 3/12/87	1160.58 29/7/87	52.63 6/1/75
35	Textiles (17)	598.52	+3.6	10.96	3.91	10.53	0.00	577.58	574.59	580.32	605.01	914.52 2/10/87	515.17 30/11/87	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (92)	884.12	+3.1	10.39	4.17	11.97	0.03	857.34	851.76	847.91	877.49	1192.48 8/10/87	759.10 10/11/87	1192.48 8/10/87	58.63 6/1/75
41	Agencies (19)	1116.28	+4.7	6.51	2.14	19.69	0.07	1066.53	1058.27	1066.01	1198.75	1795.57 17/7/87	870.35 4/12/87	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (20)	1118.82	+3.8	9.13	4.19	13.45	0.14	1077.48	1079.46	1097.96	1108.99	1545.46 5/10/87	920.61 10/11/87	1545.46 5/10/87	71.28 1/12/74
43	Conglomerates (13)	1186.22	+3.1	10.02	4.40	11.46	0.00	1150.78	1140.49	1130.45	1198.36	1547.01 8/10/87	975.19 10/11/87	1547.01 8/10/87	975.19 10/11/87
45	Shipping and Transport (11)	1818.62	+1.9	9.19	4.51	14.26	0.00	1784.54	1771.53	1740.13	1649.26	2497.85 16/7/87	1535.32 9/11/87	2497.85 16/7/87	90.80 29/6/62
47	Telephone Networks (2)	923.91	+3.1	11.65	4.58	11.42	0.00	896.00	887.05	880.24	892.45	1274.14 9/6/87	813.48 7/12/87	1274.14 9/6/87	517.92 30/11/84
48	Miscellaneous (27)	1173.31	+2.3	12.86	4.03	9.27	0.00	1147.86	1139.05	1117.70	1198.63	1773.70 5/10/87	1039.40 10/11/87	1773.70 5/10/87	60.39 6/7/75
49	INDUSTRIAL GROUP (485)	932.88	+2.3	9.29	3.77	13.55	0.17	911.96	905.74	909.46	917.74	1268.86 16/7/87	804.87 10/11/87	1268.86 16/7/87	59.01 13/12/74
51	Oil & Gas (15)	1739.16	+2.3	9.56	5.66	12.90	0.00	1699.86	1699.17	1707.86	1629.26	2458.68 16/7/87	1487.60 2/12/87	2458.68 16/7/87	87.23 29/5/62
59	500 SHARE INDEX (500)	1001.22	+2.3	9.33	4.05	13.45	0.16	978.74	973.00	977.13	978.09	1369.88 16/7/87	867.65 10/11/87	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (124)	658.74	+1.6	–	4.77	–	0.11	648.07	644.84	647.61	666.46	896.67 13/10/87	565.33 10/11/87	896.67 13/10/87	55.88 13/12/74
62	Banks (8)	674.88	+2.5	19.62	5.82	6.73	0.00	658.46	653.40	650.07	738.91	898.38 16/7/87	577.39 4/11/87	898.38 16/7/87	62.44 12/12/74
65	Insurance (Life) (8)	975.67	+2.0	–	4.72	–	0.00	956.63	948.33	969.68	916.58	1285.72 9/10/87	821.55 9/11/87	1285.72 9/10/87	44.88 2/1/75
66	Insurance (Composite) (7)	514.08	+1.9	–	5.36	–	0.00	504.63	503.64	501.71	404.93	707.58 13/10/87	448.44 1/12/87	707.58 13/10/87	43.96 13/12/74
67	Insurance (Brokers) (8)	914.45	–1.5	12.14	6.29	10.54	0.00	928.57	906.40	900.78	1231.71	1399.56 17/7/87	789.92 9/11/87	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (11)	353.56	+0.7	–	4.03	–	0.00	350.99	350.57	354.15	390.44	547.59 12/10/87	306.65 10/12/87	547.59 12/10/87	31.21 7/1/75
69	Property (52)	993.09	+1.2	5.27	3.06	24.21	0.10	981.50	976.36	992.62	829.18	1374.86 16/7/87	885.82 5/1/87	1374.86 16/7/87	56.01 20/4/65
70	Other Financial (30)	399.09	+0.9	9.17	4.16	13.77	0.64	395.46	394.41	396.16	399.25	603.48 16/7/87	339.79 1/12/87	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (86)	836.11	+2.1	–	3.04	–	0.32	818.60	813.61	820.18	913.89	1287.90 5/10/87	726.15 10/11/87	1287.90 5/10/87	71.12 13/12/74
81	Mining Finance (2)	453.40	–0.4	10.83	3.76	11.23	0.00	455.41	445.56	442.34	367.21	727.93 3/8/87	336.91 10/11/87	727.93 3/8/87	66.31 30/9/74
91	Overseas Traders (8)	1010.68	+2.0	9.49	5.01	12.44	0.00	991.34	988.78	972.33	813.67	1364.12 13/10/87	778.26 2/1/87	1364.12 13/10/87	97.37 6/1/75
99	ALL-SHARE INDEX (728)	909.36	+2.1	–	4.13	–	0.15	890.22	884.71	888.52	891.38	1238.57 16/7/87	784.81 10/11/87	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Jan 14	Jan 13	Jan 12	Jan 11	Jan 8	Year ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX ♦	1786.7	+43.3	1793.6	1733.6	1743.4	1733.4	1739.2	1760.2	1773.4	1789.0	2443.4 16/7/87	1565.2 9/11/87	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Jan 15	Day's change %	Thu Jan 14	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	122.68	+0.15	122.69	0.20	0.43
2	5-15 years	137.39	+0.57	136.95	0.34	0.42
3	Over 15 years	146.11	+0.87	144.85	–	0.00
4	Irredeemables	160.77	+0.82	159.47	–	0.00
5	All stocks	134.93	+0.49	134.50	0.24	0.36
	Index-Linked					
6	5 years	123.93	+0.14	123.76	–	0.00
7	Over 5 years	112.15	–0.18	112.36	–	0.15
8	All stocks	112.95	–0.16	113.13	–	0.14
9	Debentures & Loans	115.64	–0.12	115.77	–	0.61
10	Preference	86.54	+0.07	86.48	–	0.17

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jan 15	Thu Jan 14	Year ago (approx.)	1987/88 High	1987/88 Low
	British Government						
1	Low	5 years	9.01	9.04	9.45	9.92 19/10/87	7.52 11/5/87
2	Coupons	15 years	9.58	9.67	9.78	10.27 19/10/87	8.53 8/5/87
3		25 years	9.37	9.46	9.78	10.08 2/1/87	8.55 8/5/87
4	Medium	5 years	9.65	9.71	10.45	10.80 2/1/87	8.39 8/5/87
5	Coupons	15 years	9.76	9.86	10.06	10.51 19/10/87	8.74 8/5/87
6		25 years	9.60	9.67	9.85	10.24 19/10/87	8.75 8/5/87
7	High	5 years	9.75	9.88	10.55	10.84 2/1/87	8.58 8/5/87
8	Coupons	15 years	9.92	10.02	10.22	10.67 19/10/87	8.86 8/5/87
9		25 years	9.61	9.70	9.91	10.31 19/10/87	8.72 8/5/87
10	Irredeemables	†	9.35	9.41	9.72	10.30 19/10/87	8.41 9/11/87
	Index-Linked						
11	Inflation rate 5%	5yrs.	2.56	2.76	3.58	4.03 19/10/87	2.83 20/5/87
12	Inflation rate 5%	Over 5 yrs.	4.11	4.12	3.72	4.63 19/10/87	3.30 6/4/87
13	Inflation rate 10%	5 yrs.	1.56	1.89	1.92	4.14 19/10/87	0.85 24/3/87
14	Inflation rate 10%	Over 5 yrs.	3.93	3.97	3.55	4.65 19/10/87	3.17 27/3/87
15	Debs &	5 years	11.05	11.02	11.06	11.86 20/10/87	9.46 12/6/87
16	Loans	15 years	11.01	10.99	11.05	11.67 20/10/87	9.79 23/3/87
17		25 years	11.01	10.99	11.05	11.49 20/10/87	9.84 23/3/87
18	Preference	†	10.48	10.49	11.65	11.83 2/1/87	10.05 22/6/87

♦Opening index 1734.9; 10 am 1736.0; 11 am 1736.5; Noon 1738.7; 1 pm 1738.2; 2 pm 1776.9; 3 pm 1786.0; 3.30 pm 1781.7; 4 pm 1782.0

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p

Paris brokers' activities earn bourse reprimand

BY GEORGE GRAHAM IN PARIS

THE FRENCH stock market authorities have shown their teeth by severely reprimanding two Paris stockbrokers for dealing to their own advantage.

But the condemnation has aroused a bitter reaction from the two accused stockbroking firms, Boscher and Puget, and raised serious questions over the adequacy of the French Stock Exchange's rules governing brokers dealing on their own account.

Mr Michel Puget, head of Puget, the firm which agreed recently to be acquired progressively by Barclays de Zoete Wedd, the UK securities house owned by Barclays Bank, said that he was furious the Commission des Operations de la Bourse (COB), the French regulatory authority, had decided to publish its reprimand before the stock exchange had carried out its own inquiry.

"We cannot see that anything can be reproached to us," he said yesterday.

Boscher, the other broker rebuked by the COB, was equally indignant.

"There is absolutely nothing reprehensible in the operation we carried out," a Boscher dealer said.

Both brokers were accused by the COB of not acting with the proper degree of neutrality in their dealings in shares of La Redoute, the mail order company, in February last year, when Le Printemps, the retail group, was in the process of building up a 15 per cent stake.

Boscher made profits of FFr7.5m to FFr8m ($1.3m to $1.45m) by trading a block of La Redoute shares on its own account, while Puget is accused by the COB of taking a profit of FFr3.5m on top of its normal commission for acting as intermediary in the sale of a large block of La Redoute shares by the Agache holding company to Le Printemps.

The two cases are somewhat different, but both raise the problem of the status of the stockbroker in the rapidly evolving French equity market.

Mr Yves le Portz, chairman of the COB, said yesterday that his authority was sticking to the view that French stockbrokers must still behave primarily as agency brokers acting on their clients' accounts.

The French Finance Ministry, however, has been trying to build up the counterparty activities of Paris brokers and financial houses in a bid to improve the liquidity of the market.

Cerus buys into French financial institution

By Paul Betts in Paris

CERUS, the French holding company of Mr Carlo De Benedetti, is expected to announce next week the acquisition of a large minority shareholding in Dumenil-Leblé, the high-flying French financial institution.

Cerus refused yesterday to comment on reports that it was planning to acquire a 25 per cent stake in Dumenil-Leblé, but confirmed it was holding a board meeting in Paris on Monday.

The French holding company of Mr De Benedetti sold last week for about FFr850m ($154.5m) its 4.9 per cent stake in Pearson, the diversified group whose interests include the Financial Times, to *Mr Rupert* Murdoch, the Australian-born newspaper magnate. Cerus also indicated at the time that it was planning a new strategic acquisition.

Cerus was reported yesterday to have agreed to acquire a 17 per cent stake in Dumenil-Leblé for about FFr750m through a capital increase and was planning to raise its stake to 25 per cent by acquiring additional shares on the stock market.

The acquisition would give Mr De Benedetti a significant foothold in the French financial services industry.

Dumenil-Leblé has grown rapidly from a bond broker into an aggressive financial services group with activities ranging from treasury management to equity market arbitrage and merchant banking.

Fletcher and Elders in NZFP deal

BY DAI HAYWARD IN WELLINGTON

A FOUR-YEAR legal and stock market battle for control of New Zealand Forest Products (NZFP) – once the country's largest company – appeared yesterday to have been resolved with a deal between Fletcher Challenge, the new market leader, and Elders IXL, Mr John Elliott's Australian agri-industrial group.

This comes only two days after Fletcher began a high court action to force disclosure of details of recent share and financial transactions involving NZFP, Elders and Rada, the investment company.

Under the agreement, Fletcher will sell its 19.9 per cent holding in NZFP to a joint company it will set up with Elders IXL. This company, as yet unnamed, is in effect a vehicle for Elders IXL to acquire Fletcher's stake in NZFP.

Fletcher will receive NZ$373m (US$246.4m) for its 89.9m shares in NZFP at NZ$4.25 a share, a substantial premium to the market price yesterday of NZ$2.76.

Mr Hugh Fletcher, chairman, said his company would, however, still make an overall loss of NZ$59m on its pursuit of NZFP.

Fletcher will also take over 20,000 hectares of NZFP planted forest. NZFP will receive NZ$155m in financial assets – which are still to be decided – for the forest, which is about 15 per cent of NZFP's total forestry resource.

This move is described by both companies as rationalising forest resources near each company's mills.

Fletcher will also acquire, at a cost of NZ$85m, NZFP's Panelcorp subsidiary, which makes hardboard and plywood. This will complement Fletcher's existing medium density fibreboard manufacturing division.

Mr Bob Gunn, NZFP chairman, said Fletcher would also drop its high court suit. The legal action was initiated after Elders IXL announced it had acquired 53 per cent of the financially troubled Rada, which owns 44 per cent of NZFP.

At the same time, NZFP was to merge with Elders Resources. Elders acquired its 53 per cent holding in Rada for a nominal NZ$1.

Meanwhile, the New Zealand Stock Exchange yesterday suspended dealings in Rada and Prorada Properties, its subsidiary, while it sought details of share transactions. It was revealed yesterday that Prorada has NZ$67.5m on loan to Rada, secured to a market value of NZ$50.5m.

Rada, which was set up by NZFP as a defence against unwelcome takeover bids, rapidly acquired key stakes in several prominent companies. However, it has been badly hit by the stock market collapse.

CSR WINS BATTLE FOR TIMBER COMPANIES

AN INCREASED offer has finally given control of two related Australian timber companies to CSR after a protracted and sometimes bitter battle, writes Chris Sherwell in Sydney.

The building products, sugar and resources group raised the combined value of its offer for Softwood Holdings and Timber Holdings from A$317m (US$226.1m) to A$349m, or A$2.65 and A$3 per share respectively. Adjusted for cross-holdings, CSR will lay out A$300m instead of A$275m.

Their principal shareholders – three different family groups – have now accepted.

Acquisition of the two companies will enhance CSR's range of products by adding sawn timber, plywood and treated wood. The group will also gain access to Softwood Holdings' substantial timber resources in South Australia.

Credit du Nord cuts more jobs

BY OUR PARIS STAFF

CREDIT DU NORD, the loss-making commercial banking subsidiary of the recently privatised Paribas group, is expected to announce another round of radical job cuts in an effort to return to profitability.

After losing FFr458m ($82.9m) in 1986 the bank had hoped to move back into the black this year, but the results of the restructuring have so far proved disappointing.

Credit du Nord recorded a loss of FFr115m in the first half and suffered again from the upheavals in world financial markets in October and November.

Trade union officials say the bank is planning another 500 early retirements and 1,000 redundancies, added to the 800 job cuts over the last two years which have reduced its workforce to 9,200.

Credit du Nord officials said they could not comment on the reports, but confirmed that studies were under way into both the bank's workforce and its branch network. These studies are expected to be completed at the end of January.

The bank had been rumoured to have lost heavily on the Matif, the Paris financial futures market. But bank officials say that Matif operations have been been profitable, with gains in the first half of the year outweighing losses in October and November. Substantial provisions will have to be made, however, on the bank's portfolio of bonds and shares.

Brierley raises stake in Peko

BY CHRIS SHERWELL IN SYDNEY

SIR RON BRIERLEY'S Industrial Equity (IEL) has complicated North Broken Hill's A$970m (US$692.8m) mining takeover of Peko-Wallsend by lifting its stake in Peko from 10.9 per cent to 16.8 per cent.

An announcement yesterday by IEL, the Australian arm of Sir Ron's international business empire, said it had purchased 5.16m Peko shares for A$7.50 a share, to take its stake to 14.69m shares.

The price paid by IEL is equivalent to last month's offer for Peko made by North Broken Hill of two shares plus A$2.50 cash for each Peko share. North Broken Hill's shares were trading at A$2.50 each on Thursday, the day IEL made its purchases.

IEL also has an undisclosed number of Peko options, for which North Broken Hill is offering A$3.75 each. There are 84m Peko options outstanding, of which IEL is reported to have about 30 to 35 per cent.

Analysts said IEL had probably lifted its stake in Peko in the hope of being bought out by North Broken Hill through a higher offer.

A second complication for North Broken Hill is the involvement of Elders Resources, the 48 per cent owned affiliate of Elders IXL which is currently involved in a reverse takeover of NZ Forest Products (NZFP) in New Zealand.

NZFP has 15 per cent of North Broken Hill's shares, while Elders Resources is believed to hold a large number of Peko options.

As for the two main parties, North Broken Hill owns a few Peko shares and 23 per cent of Peko options, while Peko is thought to own about 13 per cent of North Broken Hill.

On Thursday, Peko's board formally recommended acceptance of the North Broken Hill offer, saying it offered a 41 per cent premium over the price of Peko shares prevailing prior to the offer.

If the takeover goes through, the resulting company, North Broken Hill Peko, will be one of Australia's largest resource groups, with vast mineral interests, large forestry operations and industrial activities ranging from paper making and smelting to materials handling.

Manny Hanny announces $117m charge

By Anatole Kaletsky in New York

MANUFACTURERS HANOVER, the large New York bank which has been suffering from its high exposure to the Latin American debt crisis, is to make drastic cutbacks in many of its businesses, which will result in a $117m restructuring charge against its fourth-quarter profits and 2,500 redundancies – about 8 per cent of the bank's workforce.

The announcement was made late on Thursday night after the company's shares were badly hit on Wall Street by rumours of an impending cut in the dividend and a big fourth-quarter loss.

The fourth-quarter results, which were to have been revealed next Tuesday, were rushed out in abbreviated form to accompany the restructuring announcement.

After the $117m charge, Manufacturers Hanover made a net profit of $22.7m or 18 cents a share in the fourth quarter. This compared with earnings of $75.4m or $1.57 a share in the same 1986 quarter.

While several other US banks, including Bank of Boston and Security Pacific, have given notice to shareholders that their profits were sharply reduced in the fourth quarter, these declines have been due to additional provisions against Third World debt.

Bank of Boston and Security Pacific have both boosted their reserves against Latin American loans to about 50 per cent.

By contrast, Manufacturers Hanover, along with Chemical Bank, have made no new provisions against Third World exposure

Spanish bank plans Pta15bn capital increase

BANCO DE CATALANA, one of the most prominent casualties of Spain's banking crisis at the begining of the decade and now restored to health, is to double its capital through a Pta15bn ($134.7m) increase. It will then offer 15 per cent of its equity on the Barcelona Stock Exchange, **Tom Burns writes from Madrid.**

Banco de Vizcaya, which bought Catalana three years ago, is to cover the capital increase, which will bring Catalana's funds up to Pta30bn.

Executives said the parent bank intended to retain control of its subsidiary, but that in theory up to 49 per cent of Catalana's equity could eventually be floated off.

Provisional results show that Catalana made profits of Pta3.8bn last year, against Pta1.1bn in 1986. Just over five years ago, Catalana faced irretrievable paper assets worth Pta110bn and doubtful assets totalling Pta30bn.

European Commission delays Fokker rescue

BY LAURA RAUN IN AMSTERDAM

A DUTCH Government's rescue plan for Fokker, the aeroplane maker which on Thursday announced plans to scrap 17 per cent of its workforce, is being held up by the European Commission.

The Commission said yesterday that it had just received additional information about the Fl 645m ($352.4m) rescue plan, first announced last October, and would take several more months to decide whether state aid was justified.

In December the commission requested more information about the government rescue, which depended on the state taking a 49 per cent stake in Fokker.

Meanwhile, Fokker and its labour unions have reached agreement on scrapping 1,730 jobs over the next two years in an effort to reduce production costs by 10 per cent.

Nearly 25 per cent of the jobs will be forced lay-offs and the rest will disappear through the end of temporary contracts and early retirement. Fokker has a current total payroll of about 10,000.

The cutbacks are aimed at saving Fl 100m and helping Fokker get back on its feet after plunging into difficulties because of severe production delays, cost overruns and sluggish sales of its two new airplanes – the F-50 and F-100. Last month the company said it would make a loss of Fl 14m for 1987.

In October, the Dutch Government came to the rescue with plans to take a large minority stake in the company worth Fl 103m and provide Fl 542m in convertible subordinated loans.

The Fl 645m package would be financed by converting debt into equity, including Fl 212m in fresh credit. If the Hague's rescue plan is rejected as unfair by the European Commission, another Fl 315m in new commercial loans would also be jeorpardised.

Icahn boosts Texaco holding

By Our New York Staff

MR CARL ICAHN, the New York takeover specialist who is the largest shareholder in Texaco, said yesterday that he had boosted his stake in the bankrupt oil company from 12.3 to 13.3 per cent.

Mr Icahn disclosed in a filing with the Securities and Exchange Commission that he had bought 2.279m Texaco shares on January 12 and 13 at prices ranging from $36¼ to $40½. Mr Icahn now holds 32.26m shares in Texaco.

Mr Icahn announced last week that he would oppose the reorganisation plan put forward by the Texaco management to take the oil giant out of the bankruptcy occasioned by its litigation with Pennzoil.

Push for Chloride Eastern placing

BY JOHN ELLIOTT IN NEW DELHI

MERRILL LYNCH and Citibank of the US are urgently trying to raise up to £10m ($18.2m) in private placements for a Singapore-based company set up three months ago to facilitate a partial takeover by the Indian Birla family of the Indian and other Asian interests of Chloride of the UK.

Merrill had intended in November to launch and underwrite a £18.2m equity issue in Singapore for a 49.9 per cent stake in the company, Chloride Eastern, but this had to be abandoned because of the world stock market crash.

The funds would have gone to Chloride in the UK for use in high-technology investments. Now Chloride hopes to receive some of the funds through the private placement and will then wait until world markets improve for the remainder.

This is a blow for Merrill which was emerging before the crash as a principal organiser of guaranteed international institutional investment for India.

It launched the £75m India Fund for the Indian Government in 1986 with finance from institutions such as Fidelity International of Hong Kong, Templeton Investment of the US and Rowe Price-Fleming of the UK.

These bodies were expected to be among those investing in Chloride Eastern, but since the crash they have made it clear they are not in the market for such projects in countries like India.

Against this market background, Chloride of the UK has brought in Citibank, its own adviser on the Singapore deal, to help Merrill raise between 25 and 50 per cent of the £18.2m in private placements.

Private individuals taking up part of the placement include Mr S.K. Birla, who has already become both deputy chairman of Chloride Eastern and chairman of Chloride India, plus associates including Mr P.K. Jani, a non-resident Indian of Kenyan nationality who lives in London.

The plan drawn up last summer was designed to enable Chloride of the UK to sell part of its 51 per cent holding in Chloride India, which has a turnover of about Rs1bn ($77.3m).

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES rallied yesterday on the London futures market in response to weaker sterling against the dollar and rising hopes of a successful outcome to International Cocoa Organisation talks on the resumption of buffer stock price support. The talks were continuing last night. The May position reached a peak of £1,163 a tonne before closing at £1,161 a tonne, up £21 on the day and £7 on the week. Dollar firmness also encouraged gains in the London Metal Exchange. Copper recovered much of the week's earlier losses with a £135 rise which left the cash Grade A position £70 down on the week at £1,492.50 a tonne. Cash zinc gained £18.75 to £509 a tonne, up £29 on the week, helped by talk of a sharp fall in LME stocks and news of rises in producers' European selling prices. Cash standard aluminium rose £41 to £1,177.50 a tonne, extending the week's rise to £70, while cash nickel put on £125 to £4,455 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.30-5.42y	-0.04
Brent Blend	$16.50-6.60y	
W.T.I.(1 pm est)	$16.83-6.88y	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$157-160	+0.5
Gas Oil	$144-145	
Heavy Fuel Oil	$71-73	-0.5
Naphtha	$145-148	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$481.75	-0.25
Silver (per troy oz)♣	679c	-2
Platinum (per troy oz)	$496.25	-4.50
Palladium (per troy oz)	$127.25	-0.75
Aluminium (free market)	$2110	+45
Copper (US Producer)	134½-135c	-2.5
Lead (US Producer)	40c	
Nickel (free market)	380c	-10
Tin (European free market)	£3910	+55
Tin (Kuala Lumpur market)	17.37r	+0.04
Tin (New York)	321.5c	
Zinc (Euro. Prod. Price)	$860/900	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	104.97p	+1.07*
Sheep (dead weight)†	152.34p	-17.83*
Pigs (live weight)†	61.92p	-0.90*
London daily sugar (raw)	$243.60v	+2.20
London daily sugar (white)	$248.20v	+0.70
Tate and Lyle export price	£241.00	+1.00
Barley (English feed)	£111.50w	
Maize (US No. 3 yellow)	£134.50	
Wheat (US Dark Northern)	£95.00u	+0.25
Rubber (spot)♥	64.50p	+0.50
Rubber (Feb) ♥	67.75p	+0.75
Rubber (Mar) ♥	67.50p	+0.75
Rubber (KL RSS No 1 Feb)	262.00m	-1.00
Coconut oil (Philippines)§	$550.00v	-10
Palm Oil (Malaysian)§	$500.00	
Copra (Philippines)§	$390.00	
Soyabeans (US)	£155.00	+3.00
Cotton "A" index	73.25c	-0.40
Wooltops (64s Super)	488p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. v-Jan/Feb. z-Jan/Mar. y-Feb. u-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Mar	1141	1118	1158 1107
May	1161	1140	1163 1132
Jly	1180	1160	1180 1157
Sep	1200	1179	1200 1171
Dec	1223	1202	1223 1202
Mar	1243	1223	1247 1214
May	1262	1243	1265 1240

Turnover: 6189 (4174) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for January 15: 1427.08 (1429.34) .10 day average for January 18: 1430.07 (1423.05).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1203	1190	1213 1180
Mar	1232	1216	1246 1209
May	1253	1236	1268 1229
Jly	1274	1257	1285 1250
Sep	1298	1279	1302 1275
Nov	1317	1302	1320 1290
Jan	1337	1320	1313 1313

Turnover: 4068 (1650) lots of 5 tonnes
ICO indicator prices (US cents per pound) for January 14: Comp. daily 1979 114.91 (115.00); 15 day average 114.77 (114.77).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	215.80	212.80	218.80 210.40
May	213.00	212.00	216.80 209.80
Aug	211.80	211.40	214.00 199.40
Oct	211.00	210.80	213.00 209.00
Dec	211.00	213.80	
Mar	213.00	214.00	212.20
May	215.00	216.00	
White	**Close**	**Previous**	**High/Low**
Mar	251.00	250.00	251.80 247.00
May	253.00	252.00	254.00 248.50
Aug	256.00	255.50	254.00
Oct	256.00	255.50	258.00 253.80
Dec	256.00	255.50	
Mar	263.00	260.00	263.00 261.50
May	264.00	263.00	

Turnover: Raw 6645 (7528) lots of 50 tonnes; White 2868 (1390) .
Paris- White (FFr per tonne): Mar 1410, May 1420, Aug 1440, Oct 1440, Dec 1460, Mar 1505.

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	145.25	143.25	147.25 144.75
Mar	142.75	140.25	144.00 142.00
Apr	139.25	137.00	141.00 139.25
May	136.50	134.75	138.00 136.50
Jun	137.00	134.00	139.00 136.75
Jul	137.00	134.50	139.00 136.50

Turnover: 5606 (6165) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	111.25	110.30	111.60 110.50
Mar	112.25	111.50	112.60 111.40
May	114.40	114.00	114.90 113.90
Jly	116.40	115.85	116.50 116.40
Sep	102.80	102.90	102.90 102.80
Nov	104.75	104.85	104.85 104.75
Jan	107.45	107.60	107.50 107.45
Barley	**Close**	**Previous**	**High/Low**
Jan	106.00	105.45	106.00 105.55
Mar	107.50	107.25	107.50 107.35
May	108.65	108.15	
Sep	97.90	97.90	
Nov	100.30	100.35	100.30
Jan	102.75	102.85	102.85 102.75

Turnover: Wheat 365 (78) , Barley 127 (13) lots of 100 tonnes. EL-3

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2140-60	2065-85		2100-20		
3 months	1990-2010	1935-55		1950-70	1925-45	2,774 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 24,050 tonne
Cash	1175-80	1135-8	1183/1150	1153-4		
3 months	1090-1	1056-9	1093/1062	1064-5	1072-4	49,254 lots
Copper, Grade A (£ per tonne)						Ring turnover 66,100 tonne
Cash	1490-5	1355-60	1480/1430	1440-2		
3 months	1354-5	1250-1	1365/1290	1317-8	1340-1	76,539 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1410 20	1320-30		1380-400		
3 months	1325-35	1210-20		1280-90		43 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	677-80	677-80		680-2		
3 months	689-92	688-91		690-2	690-2	698 lots
Lead (£ per tonne)						Ring turnover 15,975 tonne
Cash	366-8	351-3	368/365	365-6		
3 months	352-3	342-3	355/345	351-2	351-2	13,115 lots
Nickel (£ per tonne)						Ring turnover 2,394 tonne
Cash	4450-60	4320-40		4350-60		
3 months	4120-30	4000-10	4130/4000	4000-10	4130-5	9,715 lots
Zinc (£ per tonne)						Ring turnover 8,900 tonne
Cash	509-10	490.5-1	508	501-2		
3 months	508.5-9	492-2.5	510/497	500.5-1	506-7	12,598 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	97.50	96.30	100.00
Mar	88.50	87.50	
Apr	152.50	150.40	154.00 150.80
May	166.00	164.00	167.50 164.90
Nov	88.50	88.50	
Feb	96.00	96.50	

Turnover: 873 (241) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	133.40	130.00	133.00 129.50
Jun	127.00	122.00	
Aug	127.00	121.00	
Oct	128.00	122.00	
Dec	129.00	122.00	
Feb	128.00	124.00	

Turnover: 394 (320) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1426.0	1422.0	1430.0 1425.0
Apr	1503.0	1492.0	1520.1 1498.0
Jly	1355.5	1348.0	1365.0 1352.0
Oct	1398.0	1399.0	1410.0 1399.0
BFI	1384.0	1374.5	

Turnover: 372 (327)

SPICES
Nutmegs, mace and ginger prices were unchanged, reports Man Producten. Spot supplies of cloves were tight, with shipments from Madagascar fetching $3,350 a tonne; from the Comoros Islands, $3,800 a tonne; and from Brazil, $2,975 a tonne – all cif. Spot supplies of Mexican pimentos were tight and priced at about $1,600 a tonne, ex warehouse. With material in short supply producer prices for pimentos were generally firmer at around $1,725 a tonne, cost and freight. Jamaican offerings were unchanged at $2,400, cost and freight. Cassia prices were on the increase with Indonesia reluctant to sell later shipments because of higher local prices. Indonesian A types were fetching $2,050 a tonne and B types $1,440 a tonne, cif. February delivery pepper was unchanged in quiet trading.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	481½-482	271¾-272¼
Opening	485½-486	265¾-266¼
Morning fix	484.80	265.496
Afternoon fix	480.30	270.287
Day's high	485½-486	
Day's low	478-479	
Coins	**$ price**	**£ equivalent**
US Eagle	496-501	280-283
Mapleleaf	496-501	280-283
Britannia	496-501	280-283
Krugerrand	480¼-483¼	271-278
1/2 Krug	252-261	141¾-147
1/4 Krug	125-133	70¼-74¾
Angel	498-503	280¼-283
1/10 Angel	50-55	28¼-31
New Sov.	113¼-114¼	64-64¾
Old Sov.	113¼-114¾	64-65
Noble Plat	518-524	284-287

Silver fix	p/fine oz	US cts equiv
Spot	373.65	682.10
3 months	381.75	694.15
6 months	380.55	707.10
12 months	409.05	785.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1850	195	221	19	123
1950	124	172	47	172
2050	71	132	93	229
Aluminium (99.5%)	**Calls**		**Puts**	
1800	208	153	38	86
1900	142	105	70	135
2000	92	69	119	197
Copper (Grade A)	**Calls**		**Puts**	
2300	289	260	134	288
2500	198	188	232	413
2700	126	134	358	564

US MARKETS

US TRADE FIGURES prompted a sharp sell-off in precious metals in early trading, reports Drexel Burnham Lambert. Trade and commission house selling touched off stops before a mid-session short-covering rally. However, late, renewed selling by the trade and funds caused locals to liquidate longs and the markets closed *near the lows. Copper closed higher on* short-covering on news of the effects of a recent explosion at the El Teniente mine in Chile. Following Thursday's technical correction, energy futures resumed the downward trend in response to continued reports of Saudi Arabia selling discounted oil. Sugar firmed on aggressive trade buying which touched off commission house stops, but failed to hold higher levels and fell back on profit-taking. Cocoa rallied in response to an apparently successful conclusion to the ICCO meeting. The meats were sharply higher. Cattle penetrated resistance areas as traders covered short positions and touched off stops despite negative fundamentals. Pork bellies and hogs rose in response to constructive outside markets and the trade deficit figure. Grains, too, were strong.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	473.6	487.0	0	0
Feb	474.5	488.2	486.7	474.0
Mar	477.0	490.8	487.5	481.0
Apr	480.3	494.2	488.0	478.0
Jun	485.9	500.1	498.7	484.5
Aug	491.8	506.3	501.0	494.0
Oct	498.0	512.6	506.0	506.5
Dec	504.2	519.3	512.0	503.0
Feb	510.7	526.1	521.2	518.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	482.7	505.9	498.0	488.5
Apr	490.0	513.2	510.0	488.2
Jul	497.5	520.7	516.5	496.7
Oct	505.5	528.7	524.0	515.0
Jan	513.5	536.7	520.0	520.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	660.0	687.2	677.0	677.0
Feb	662.4	689.5	0	0
Mar	666.0	693.5	693.0	666.0
May	675.4	703.3	697.0	678.0
Jul	684.4	712.9	706.5	684.0
Sep	693.0	722.1	711.0	707.0
Dec	707.5	737.5	731.0	710.0
Jan	711.9	742.2	0	0
Mar	722.1	753.0	0	0
May	732.0	763.5	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	121.00	121.00	121.00	121.00
Feb	116.50	115.30	0	0
Mar	109.00	107.90	111.50	107.80
May	96.00	96.30	99.25	95.00
Jul	85.00	85.30	88.00	84.00
Sep	82.00	82.30	84.00	82.00
Dec	81.00	81.30	85.50	81.00
Jan	80.80	81.10	0	0
Mar	80.50	80.80	82.50	82.50
May	80.10	80.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	16.88	17.21	17.25	16.78
Mar	16.70	17.04	17.00	16.58
Apr	16.57	16.94	16.90	16.45
May	16.48	16.83	16.80	16.38
Jun	16.40	16.79	16.70	16.40
Jul	16.35	16.68	16.53	16.26
Aug	16.27	16.61	16.44	16.27
Sep	16.50	16.54	0	0
Oct	16.45	16.47	0	0
Nov	16.35	16.40	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	50.56	51.48	51.25	49.95
Mar	48.25	48.95	48.70	47.70
Apr	46.00	46.80	46.45	45.80
May	44.70	45.15	45.15	44.30
Jun	43.90	44.28	44.20	43.55
Jul	43.55	44.08	43.80	43.50

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1889	1868	1895	1866
May	1909	1895	1920	1896
Jul	1934	1921	1945	1927
Sep	1981	1950	1970	1954
Dec	1997	1986	2010	1990
Mar	2026	2011	2035	2020
May	2055	2038	2040	2040

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	127.66	127.34	127.70	127.05
May	130.56	130.07	130.65	130.00
Jul	132.63	132.40	132.90	132.25
Sep	135.00	134.75	135.00	134.45
Dec	137.75	137.75	137.75	137.50
Mar	141.13	140.00	0	0
May	141.00	140.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.55	9.45	9.73	9.48
May	9.40	9.39	9.60	9.27
Jul	9.39	9.36	9.58	9.29
Oct	9.30	9.31	9.50	9.27
Jan	9.35	9.33	0	0
Mar	9.46	9.55	9.70	9.45
May	9.46	9.59	9.65	9.65

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	64.66	65.29	66.60	64.50
May	65.26	65.86	67.25	65.00
Jul	65.50	66.13	67.45	65.50
Oct	63.45	63.70	64.40	63.50
Dec	62.20	62.56	63.40	62.10
Mar	63.45	63.75	0	0
May	63.67	63.96	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	173.65	171.50	173.50	171.50
Mar	174.85	174.30	174.95	173.60
May	175.60	175.25	176.50	174.80
Jul	175.40	175.30	176.60	174.90
Sep	173.00	172.85	173.00	172.40
Nov	171.20	171.25	171.80	170.80
Jan	166.90	166.25	0	0
Mar	166.90	166.25	0	0
May	166.90	166.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 14	Jan 13	mnth ago	yr ago
1724.0	1731.1	1687.6	1594.3

DOW JONES (Base: December 31 1974 = 100)

Spot	133.91	132.23	115.39
Futures	135.75	139.79	115.79

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	622/6	612/0	632/0	622/4
Mar	631/0	620/4	641/4	630/0
May	639/4	629/2	651/0	639/0
Jul	646/2	635/0	657/0	645/4
Aug	646/0	634/0	656/0	646/0
Sep	643/0	628/0	653/0	643/0
Nov	645/4	627/6	654/0	643/0
Jan	652/4	634/4	660/0	651/0
Mar	659/4	642/4	665/0	657/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	23.10	22.65	23.55	23.10
Mar	23.10	22.76	23.55	23.08
May	23.22	22.88	23.70	23.20
Jul	23.30	22.92	23.90	23.30
Aug	23.30	22.97	23.90	23.30
Sep	23.15	22.77	23.77	23.15
Oct	23.25	22.80	23.65	23.20
Dec	23.27	22.77	23.85	23.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	187.0	186.6	191.0	187.0
Mar	183.3	181.7	186.5	183.0
May	181.7	179.6	184.0	181.2
Jul	182.1	178.1	184.0	181.3
Aug	182.5	178.0	184.5	181.5
Sep	183.5	177.8	184.5	181.5
Oct	183.5	177.0	184.0	182.0
Dec	184.0	176.7	185.5	182.0
Jan	185.5	179.0	185.5	183.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	197/4	195/0	199/0	197/0
May	203/2	200/4	204/2	202/0
Jul	207/0	205/0	208/6	206/2
Sep	208/0	206/4	210/6	208/0
Dec	212/0	210/2	214/4	211/6
Mar	218/6	215/6	220/6	218/4
May	223/0	220/2	224/0	222/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	330/2	332/2	335/4	327/0
May	329/6	331/6	334/6	326/0
Jul	318/0	322/0	323/0	318/6
Sep	322/4	326/0	328/4	322/4
Dec	331/6	334/4	335/4	331/0
Mar	335/0	336/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	67.20	66.22	67.35	66.47
Apr	69.17	67.97	69.25	68.27
Jun	68.75	68.05	68.80	68.05
Aug	66.87	66.20	66.10	65.35
Oct	64.72	64.27	65.05	64.35
Dec	65.25	65.00	65.55	65.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	47.17	45.77	47.27	46.15
Apr	44.70	43.77	44.95	44.20
Jun	47.80	46.72	48.05	47.00
Jul	48.42	47.85	49.00	47.95
Aug	47.47	46.82	47.85	47.15
Oct	42.50	41.75	42.60	41.80
Dec	42.50	42.05	42.90	42.10

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	56.35	54.65	56.47	55.35
Mar	56.75	55.30	57.05	55.90
May	58.17	56.90	58.20	57.35
Jul	59.05	57.10	58.25	57.50

WORLD STOCK MARKETS

Wall Street

Dow calms down after rapid rise

The urgency of buying which had propelled the market sharply higher in the morning relaxed in the afternoon, after the surprisingly good November trade deficit had been announced.

High gains in stocks were pared back slightly and volume was only moderate.

The Dow Jones industrial average, which had risen more than 58 points, stood at 1,968, up 52. The market deviated only slightly from the initial run-up. Advances led declines by a six to one margin on a volume of 135m shares.

IBM gained $3-1/2 to $119-3/8 and Dupont $1-1/8 to $82-1/8 in active trading.

The dollar and bonds and other global financial markets had risen quickly on news of the trade figures.

Canada

Toronto stocks moved higher in concert with gains on Wall Street as rising oils, industrials and mines pulled the market ahead.

The composite index rose 40 to 3171.90 as advances outpaced declines by 406 to 235 on a moderately active turnover of 15.7m shares.

Among most actives, Domtar gained C$⅛ to C$14¼, Nova firmed C$⅛ to C$10⅛ and Viceroy Resources climbed C$⅞ to C$20⅞. Among mines, Alcan won C$1 to C$35⅛.

Energy issues showed broad advances. Shell Canada rose C$⅞ to C$38⅞, Texaco Canada climbed C$1¼ to C$30¼, Imperial Oil Class A advanced C$1¼ to C$57½ and Gulf Canada Resources moved ahead C$½ to C$17½.

In industrials, Stelco Class A firmed C$⅛ to C$22⅞ and Dofasco gained C$⅛ to C$27.

In forest products, MacMillan Bloedel gained C$½ to C$21⅛, Abitibi-Price was unchanged at C$26 and BC Forest Products advanced C$¼ to C$19.

North American closing prices were unavailable for this edition

Hong Kong

Share prices closed slightly firmer in featureless trading, marked by the lowest turnover since May last year.

The Hang Seng index gained 18.25 points to close at 2,429.77, while the broader-based Hong Kong index ended 11.26 points higher at 1,587.37. Turnover slid to HK$449m from HK$553m on Thursday.

Most investors kept to the sidelines in anticipation of the release of US trade figures. Money managers are also tending to keep more of their funds in cash rather than commiting them to stocks.

The appearance of former stock exchange chairman Ronald Li in court yesterday morning on a bribery charge had little impact on share prices, but there are underlying concerns that a wider investigation could affect the market.

Blue chips led the active list, with Hk Land and HK Bank both five cents higher at HK$7.50 and HK$7.40 respectively. Cathay Pacific was also active rising 15 cents to HK$6.40 while Cheung Kong rose five cents to HK$6.85 and New World Development also added five cents to HK$7.50.

Australia

The Australian share market rose at the close as solid interest in special situation stocks underpinned demand. The all ordinaries index was 13.4 points up at 1,277.5.

A rise of almost A$7 in bullion prices overnight also brought steady demand for gold-related and resource issues. Trade in blue chip industrials was buoyed up by falling interest rates.

The gold marker jumped 21.4 to 1,932.7, the all resources 11.4 to 747.2 and the all industrials 15.4 to 1,968.3.

Continued nervousness before the release of the US trade deficit figures kept national turnover to a moderate 119.53m shares, worth A$140.12m. Falls narrowly outnumbered rises.

Corporate plays dominated the marketplace. IEL gained A$4 to A$1.59 after the news that it had taken its stake in miner Peko-Wallsend to 16.8 per cent.

Frankfurt

A nervous but thin bourse ended with lower share prices - but not as low as the day's worst levels. Speculation that US trade figures would not be as bad as previously believed lifted prices toward the end.

Utilities remained depressed, undermined by the scandal surrounding the Nukem nuclear company, which is jointly owned by West Germany's RWE, Degussa and Metallgesellschaft and Britain's Imperial Smelting.

The owners of Nukem and utilities lost heavily but the rest fared reasonably well compared with the weak pre-bourse.

The Commerzbank index of 60 leading shares fell 10.7 points or 0.8 per cent to 1,228.9.

The Boersen-Zeitung 30-share index fell 1.81 points or 0.7 per cent to 257.05.

Utility RWE dropped DM12.50 or 5.9 per cent to close at DM199, pushed down by the nuclear case. Veba was also hit by the affair, shedding DM9 or 3.6 per cent to DM244.

Metals processor Degussa declined DM14.50 or 4.6 per cent to DM299.50 and Metallgesellschaft fell DM8 to DM200.

Insurers also dropped heavily, with Allianz down DM22 to DM1,115. Muenchner Rueck shed DM55 to DM1,725.

Cars and banks were narrowly mixed but high-technology companies Nixdorf and PKI both shed DM14.50 to DM522.50 and DM597 respectively.

Retailer Karstadt dropped DM18.80 to DM362.20, but Kaufhof rose DM9.50 to DM352.

Singapore

Quiet trading saw firmer share prices, with late profit-taking well absorbed.

Institutions remained on the sidelines, pending the release of the US trade figures. Buying interest was focused on Singapore-based blue chips and quality stocks with a handful of these posting double-digit gains.

The Straits Times Industrial Index climbed 8.23 points to 869.80 from Thursday's close of 861.57, and turnover soared to 31.6m shares from 22.8m.

The closure of the Tokyo stock market dampened activity. Trading interest was concentrated mainly on selected Malaysian speculative and cheaper-priced counters, which saw small price changes.

Madrid

Madrid shares closed mostly higher, boosted by strong gains among banks in an otherwise sparse trading session as operators awaited indicators from the US.

The general index closed 1.43 points higher at 237.31.

Milan

Position-squaring linked to yesterday's expiry of the monthly bourse account period led to share prices closing slightly easier overall in thin trading.

The MIB share price index closed 0.3 per cent down on the day at 990, with most sectors registering losses.

Brussels

Brussels was dominated by record demand for Reserve, the holding of Societe Generale de Belgique, which closed seven per cent higher on record turnover. Belgian shares closed mixed.

AUSTRIA

January 15	Sch %	+ or -
Creditanstalt	1,980	-10
Goesser	2,790	
Interunfall	9,900	-50
Jungbunzlauer	5,200	—
Laenderbank	366	-4
Perlmooser	640	+2
Steyr-Daimler	115	
Veitscher Mag	640	+2

SWEDEN (continued)

January 15	Kroner	+ or -
Stan Enskilda	122	+1
SKF	228	—
St Kopparbergs	300	+8
Svka Cellulosa	260	—
Svka Handelsbn	94	+1
Swedish Match	91.5	+1
Volvo B (Free)	268	+7

INDICES

NEW YORK ACTIVE STOCKS

CURRENCIES AND MONEY

FOREIGN EXCHANGES

Trade figures boost dollar

A SHARP contraction in the US trade deficit drove the dollar firmer in currency markets yesterday. A $13.22bn shortfall in November was a significant improvement over October's record $17.63bn and was considerably better than most forecasts, which had centred around the $15bn mark.

The US unit moved up by over four pfennigs against the D-Mark, soon after the announcement, to touch a high of DM1.6850, having finished trading in London on Thursday at DM1.6370. Trading in the morning had been dull but the first few hours after the announcement at 1.30pm in London proved to extremely hectic, as dealers rushed to buy dollars.

Against the D-Mark, the dollar finished at its best level for nearly two months at DM1.6790. Its improvement against the yen was equally dramatic but only took it to a one month high, underlining the extent of the D-mark's relatively lacklustre performance over the past month. It closed at Y130.40 from Y126.70. Elsewhere the US unit finished at SFr1.3720 from SFr1.3355 and FFr5.6625 from FFr5.5300. On Bank of England figures, the dollar's exchange rate index rose from 93.3 to 95.1.

Sentiment was also helped by a 0.3 p.c. fall in December producer prices, after an unchanged figure in November.

While the trade deficit's contraction had been helped by a 9.4 p.c. increase in exports and a 6 p.c. decine in imports, analysts were quick to point out two key factors. Firstly, December's figures were likely to be influenced by a sharp fall in the value of the dollar during that month and secondly, that it was questionable whether US exports could maintain such a high rate of growth. On the other hand seasonal factors were likely to work in favour of a smaller deficit for December.

Sterling fell quite sharply against the dollar to a two-month low of $1.7770 from $1.8190 on Thursday. However the dollar's upturn was equally punishing on other currencies and the pound even managed a small improvement against the D-Mark to DM2.9825 from DM2.9775. It was also higher against the yen at Y231.75 from Y230.50 and finished elsewhere at SFr2.4375 from SFr2.4300 and FFr10.0625 compared with FFr10.06.

However its exchange rate index slipped to 74.7 from 75.4 at the opening and 75.2 on Thursday.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. December average 1.6354. Exchange rate index 149.8 against 146.9 six months ago.

A sharp improvement in the dollar took it to its best level for nearly two months in Frankfurt. The extent of the rise was probably reflective of the build up in tension ahead of the release and many dealers still maintained their ealier view of further dollar declines later this year.

The dollar closed at DM1.6780 from DM1.6380.

£ IN NEW YORK

Jan.15	Latest	Previous Close
£ Spot	1.7775-1.7785	1.8[illegible]-1.8230
1 month	0.25-0.22pm	0.22-0.20pm
3 months	0.75-0.72pm	0.76-0.72pm
12 months	2.47-2.37pm	2.45-2.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.15	Previous
8.30 am	75.4	75.3
9.00 am	75.4	75.3
10.00 am	75.4	75.3
11.00 am	75.4	75.3
Noon	75.4	75.3
1.00 pm	75.4	75.3
2.00 pm	74.8	75.3
3.00 pm	74.8	75.3
4.00 pm	74.7	75.2

CURRENCY RATES

Jan.15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	[illegible]	0.693635
U.S Dollar	6	1.36473	1.23625
Canadian $	8.75	1.75757	1.63091
Austrian Sch.	3	15.6504	14.5313
Belgian Franc	7	47.4433	43.1848
Danish Krone	7	[illegible]	7.93420
Deutsche Mark	3½	2.26731	2.06459
Neth Guilder	3½	2.54735	2.31910
French Franc	9½	7.66016	6.97946
Italian Lira	12½	1668.35	1519.16
Japanese Yen	2½	175.657	159.672
Norway Krone	8	8.72439	7.93359
Spanish Peseta	-	153.479	140.362
Swedish Krona	7½	8.21681	7.48849
Swiss Franc	2½	1.84718	1.68262
Greek Drach	20½	180.759	164.378
Irish Punt	-	N.A	0.777401

All SDR rates for January 14

CURRENCY MOVEMENTS

Jan.15	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.7	-15.5
U.S Dollar	95.1	-13.0
Canadian Dollar	75.5	-9.4
Austrian Schilling	143.4	+10.3
Belgian Franc	100.4	-4.3
Danish Krone	92.8	-3.1
Deutsche Mark	145.5	+23.6
Swiss Franc	179.9	+26.5
Guilder	138.4	+15.1
French Franc	71.3	-12.7
Lira	47.5	-18.7
Yen	236.2	+50.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)* Rates for Jan 14.

OTHER CURRENCIES

Jan.15	£	$
Argentina	9.7740-9.8915	5.5250-5.5750
Australia	2.5160-2.5290	1.4145-1.4265
Brazil	135.10-135.45	76.30-76.70
Finland	7.2310-7.2495	4.0850-4.0950
Greece	235.90-239.40	129.00-131.20
Hong Kong	13.7950-13.8360	7.7850-7.7950
Iran	121.45*	65.70*
Korea(Sth)	1433.45-1446.45	754.30-790.70
Kuwait	0.48450-0.48530	0.27315-0.27325
Luxembourg	62.30-62.40	35.05-35.15
Malaysia	4.5010-4.5490	2.5300-2.5400
Mexico	3920.55-3952.70	2215.00-2230.00
N. Zealand	2.7205-2.7305	1.5360-1.5455
Saudi Ar.	6.6560-6.6620	3.7500-3.7510
Singapore	3.5980-3.6435	2.0300-2.0400
S. Af (Cm)	3.5360-3.5820	1.9880-2.0040
S. Af (Fn)	5.3000-5.4630	2.9850-3.0770
Taiwan	52.10-52.35	28.55-28.65
U.A.E.	6.5155-6.5240	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Jan.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7610-1.8190	1.7765-1.7775	0.25-0.22cpm	1.59	0.77-0.72pm	1.68
Canada	2.2630-2.3595	2.2835-2.2845	0.02c-0.08cm	0.16	0.22-0.05pm	0.24
Netherlands	3.32¾-3.35¾	3.34¾-3.35¾	1¼-1⅛cpm	4.25	3⅞-3⅝pm	4.47
Belgium	61.85-62.75	62.20-62.30	15-7cpm	2.12	43-32pm	2.41
Denmark	11.26-11.46½	11.44½-11.45½	[illegible]	0.33	1½-¼pm	0.48
Ireland	1.1165-1.1250	1.1210-1.1220	0.08-0.02cpm	0.53	0.24-0.07pm	0.55
W. Germany	2.95-3.03¼	2.97¾-2.98¾	1¾-1¼pfpm	5.28	4-3⅞pm	5.28
Portugal	241.40-246.18	241.40-242.40	100-161cdis	-6.47	295-390dis	-5.65
Spain	200.45-203.73	202.00-202.30	65-95cdis	-4.75	160-215dis	-3.71
Italy	2169½-2235	2188-2189	par-7liredis	-1.92	7-14dis	-1.92
Norway	11.32½-11.50	11.39½-11.40½	4⅞-5¾oredis	-5.59	14¼-16dis	-5.39
France	9.93-10.06¾	10.05¾-10.06¾	⅝dis-¼cpm	-0.15	⅝dis-⅜pm	-0.05
Sweden	10.66¾-10.81¼	10.72¾-10.73¾	½-⅞oredis	-0.35	¾-1⅛dis	-0.08
Japan	230-232¼	231¼-232¼	1-⅞ypm	4.85	2¾-2⅝pm	4.64
Austria	20.72-21.93	20.90-21.93	7¼-6¼gropm	3.94	23⅜-21¼pm	4.26
Switzerland	2.42-2.43¾	2.43¾-2.43¾	1½-1⅜cpm	7.08	4-3⅞pm	6.46

Belgian rate is convertible francs. Financial franc 62.60-62.70 . Six-month forward dollar 1.59-1.54cpm 12-month 3.00-2.90pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7610-1.8260	1.7765-1.7775	0.25-0.22cpm	1.59	0.77-0.72pm	1.68
Ireland†	1.5760-1.6290	1.5805-1.5815	0.15-0.12cpm	0.99	0.42-0.34pm	0.93
Canada	1.2830-1.2905	1.2855-1.2865	0.18-0.21cdis	-1.82	0.47-0.50dis	-1.51
Netherlands	1.8300-1.8940	1.8855-1.8865	0.44-0.42cpm	2.82	1.34-1.31pm	2.89
Belgium	34.05-35.20	35.05-35.15	3dis-par	-0.53	9-4dis	0.76
Denmark	6.2[illegible]-6.46½	6.44¼-6.44¾	0.50-1.00oredis	-1.44	2.00-2.50dis	-1.44
W. Germany	1.6235-1.6850	1.6785-1.6795	0.53-0.50pfpm	3.79	1.59-1.54pm	3.83
Portugal	137¼-136½	136-138½	90-130cdis	-9.84	230-300dis	-7.90
Spain	110.30-114.20	113.95-114.05	60-110cdis	-9.20	180-330dis	-9.20
Italy	1197-1234	1231¼-1231¾	2.50-5.50liredis	-4.29	9.70-12.70dis	-4.00
Norway	6.28½-6.41½	6.41¼-6.41¾	3.60-3.95oredis	-7.19	11.10-11.50dis	-7.17
France	5.50¼-5.68	5.66-5.66½	0.60-0.80cdis	-1.52	2.15-2.45dis	-1.67
Sweden	5.91-6.06½	6.03¾-6.04¼	0.90-1.05oredis	-1.98	2.90-3.15dis	-2.04
Japan	125.50-131.00	130.35-130.45	0.37-0.34ypm	3.38	1.05-1.00pm	3.25
Austria	11.46-11.82½	11.82¼-11.82¾	2.70-2.40gropm	2.67	5.40-4.80pm	1.78
Switzerland	1.3275-1.3775	1.3715-1.3725	0.64-0.59cpm	5.55	1.67-1.63pm	4.95

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.20-35.30.

EURO-CURRENCY INTEREST RATES

Jan.15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7⅜-7⅛	8⅛-8	8⅞-8⅝	9⅛-8⅞	9¼-9⅛	9¾-9⅝
US Dollar	6⅝-6½	6⅞-6¾	7-6⅞	7¼-7⅛	7⅝-7½	7⅞-7¾
Can. Dollar	N.A	8⅝-8½	8⅞-8⅝	8⅞-8⅝	8⅞-8⅝	9⅝-9⅛
D. Guilder	N/A	4¼-4	4⅛-4⅛	4⅛-4⅛	4⅛-4⅜	4½-4⅜
Sw. Franc	⅜-¼	¼-1⅛	1⅜-1⅛	2⅜-2⅛	2⅝-2⅜	3¼-3⅛
Deutschmark	3⅛-3⅛	3⅛-3⅝	3⅜-3⅛	3⅝-3⅜	3⅝-3⅜	3⅞-3⅝
Fr. Franc	8¼-7¾	8⅜-8¼	9⅛-8⅞	8⅞-8⅝	9⅛-9	9¼-9⅛
Italian Lire	11¼-9¼	10⅜-9⅜	10⅝-9⅞	11⅛-10⅝	11¼-10⅞	11⅝-11¼
B. Fr. (Fin)	6⅝-6⅛	6½-6⅝	6⅝-6½	6⅝-6⅝	6⅝-6⅝	6⅝-6⅝
B. Fr. (Con)	6⅞-6⅝	6⅝-6⅞	6⅝-6⅝	6⅝-6½	6⅝-6⅝	6⅝-6⅝
Yen	N.A	3⅞-3⅞	3⅞-3⅞	4⅛-4⅛	4⅛-4⅛	4⅛-4⅜
D. Krone	8⅞-8⅝	9⅛-8⅝	9⅛-8⅞	9⅛-9	9⅛-9	9¼-9⅝
Asian $Sing	6⅞-6¾	7-6⅞	7⅛-6⅞	7⅜-7¼	7½-7⅜	7⅞-7¾

Long term Eurodollars, two years 8⅛-8¼ per cent; three years 8⅝-8⅝ per cent; four years 9⅛-8⅞ per cent; five years 9¼-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice

EXCHANGE CROSS RATES

Jan.15	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.777	2.983	231.8	10.07	2.438	3.353	2189.	2.284	62.35
$	0.563	1	1.679	130.4	5.667	1.372	1.887	1232	1.285	35.09
DM	0.335	0.596	1	77.71	3.376	0.817	1.124	733.8	0.766	20.90
YEN	4.314	7.666	12.87	1000.	43.44	10.52	14.47	9443	9.853	269.0
F Fr.	0.993	1.765	2.962	230.2	10.	2.421	3.330	2174	2.268	61.92
S Fr.	0.410	0.729	1.224	95.08	4.130	1	1.375	897.9	0.937	25.57
H Fl.	0.298	0.530	0.890	69.13	3.003	0.727	1	652.8	0.681	18.60
Lira	0.457	0.812	1.363	105.9	4.600	1.114	1.532	1000.	1.043	28.48
C $	0.438	0.778	1.306	101.5	4.409	1.067	1.468	958.4	1	27.30
B Fr.	1.604	2.850	4.784	371.8	16.15	3.910	5.378	3511	3.663	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

UK rates slightly higher

UK INTEREST rates started to move higher in London yesterday in reaction to a significant fall in the US trade deficit. Three-month interbank money was quoted at 9⅛-8¹⁵⁄₁₆ p.c. up from 9-8⅞ p.c. although the one year rate remained at 9¾-9⅝ p.c.

However the recent uncertainty on interest rate trends and the consequent move by institutions into short dated instruments meant that interbank rates were giving a less than strong signal.

With sterling below its best and the dollar at last benefiting from a continued rise in US export growth, there seemed to be little reason why upward pressure on UK interest rates would not now increase still further.

A fall in the rate of inflation helped to offset a rise in average earnings, but dealers stressed that the latter was a much more difficult trend to reverse. One trader suggested that, "While the US may be starting to come out of the woods, everything at the moment suggests that the UK is about to enter, and risk meeting the big, bad wolf."

The Bank of England forecast a shortage of around £1,150m with factors affecting the market including Exchequer transactions which drained £1,095m and a rise in the note circulation of £310m. On the other side bank balances were brought forward a nominal £5m above target. In addition, bills maturing in official hands and a take up of Treasury bills were outweighed by 63-day Treasury bills which matured outside officials hands to give a net addition to market liquidity of £244m.

To help alleviate the shortage, the Bank offered an early round of assistance which comprised outright purchases of £859m of bills, £37m of eligible bank bills in band 3 and £822m in band 4, all at 8⅛ p.c.

A revision took the forecast to a shortage of around £1,300m before taking into account the early help, and the Bank provided further help in the morning of £81m through outright purchases of £25m of eligible bank bills in band 3 and £56m in band 4, all at 8⅛ p.c.

The forecast was revised once more, this time to a shortage of around £1,350m, and the Bank gave additional assistance of £221m in the afternoon, comprising outright purchases of £82m of eligible bank bills in band 3 and £139m in band 4, all at 8⅛ p.c. Late assistance came to £185m, making a total of £1,246m.

The average rate of discount at the weekly Treasury bill tender fell by 0.0158 p.c. to 8.3419 p.c. The £100m of bills on offer attracted bids of £490m compared with £412m for a similar amount the week before, and all bills on offer were allotted.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.15) 3 months US dollars		6 months US Dollars	
bid 7⅛	offer 7¼	bid 7⅜	offer 7½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK
(Lunchtime)

Prime rate	8.75
Broker loan rate	8.00
Fed.funds	6⅝
Fed.funds at intervention	6⅝

Treasury Bills and Bonds			
One month	5.40	Three year	7.84
Two month	5.72	Four year	8.08
Three month	6.07	Five year	8.22
Six month	6.59	Seven year	8.49
One year	6.95	10-year	8.69
Two year	7.64	30-year	8.87

Jan.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.15-3.25	3.30-3.45	3.30-3.45	3.35-3.50	3.40-3.55	4.50
Paris	7⅞-8	8-8⅛	8⅛-8¼	8⅜-8½	7⅞-7⅞	7.50
Zurich	½-⅜	1¼-1½	-	2-2¼	-	-
Amsterdam	4¼-4⅜	4⅜-4½	-	4⅜-4⅞	-	-
Tokyo	3.53125	3.78125	-	3.90625	-	-
Milan	9-11¼	10⅛-10⅝	-	10⅛-10⅝	-	-
Brussels	6.90	6⅝-6⅞	-	6⅝-6⅞	-	-
Dublin	8¼-8½	8⅜-8⅝	8⅜-8⅝	8⅝-8⅞	9-9¼	-

LONDON MONEY RATES

Jan.15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9	8⅛	8⅞	9⅛	9⅜	9⅝
Interbank Bid	6	7⅞	8¾	8⅞	9⅛	9⅜
Sterling CDs	-	-	8¾	8⅞	9⅛	9½
Local Authority Deps.	6¾	7	8⅝	8⅞	9¼	9½
Local Authority Bonds	-	-	8⅞	8⅞	9⅛	9½
Discount Mkt Deps.	7¼	7	-	-	-	-
Company Deposits	7½	7½	8	8⅞	9	9⅝
Finance House Deposits	-	-	8½	8⅞	9⅛	9¼
Treasury Bills (Buy)	-	-	8⅞	8⅝	-	-
Bank Bills (Buy)	-	-	8⅞	8⅝	9⅛	-
Fine Trade Bills (Buy)	-	-	8⅞	9¼	9⅜	-
Dollar CDs	-	-	7.05-7.00	7.10-7.05	7.35-7.30	7.85-7.80
SDR Linked Dep Offer	-	-	5⅞	6¼	6⅝	6⅝
SDR Linked Dep Bid	-	-	5⅝	5⅞	6⅛	6⅜
ECU Linked Dep Offer	-	-	6⅝	6⅝	6⅞	7⅛
ECU Linked Dep Bid	-	-	6¼	6⅜	6⅝	6⅞

Treasury Bills (sell): one-month 8¼ per cent; three months 8⅛ per cent; Bank Bills (sell): one-month 8⅛ per cent; three months 8⅛ per cent; Treasury Bills; Average tender rate of discount 8.3577 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1987. Agreed rates for period January 26 1988 to February 23, 1988, Scheme I: 10.05 p.c., Schemes II & III: 10.09 p.c. Reference rate for period December 1 1987 to December 31, 1987, Scheme IV: 8.830 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.00 from January 1, 1988: Bank Deposit Rates for sums at seven days notice 3.00-3.50 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.50 per cent; one-three months 8.50 per cent; three-six months 8.50 per cent; six-nine months 8.50 per cent; nine-twelve months 8.50 per cent; Under £100,000 per cent from November 24, Deposits withdrawn for cash 5.00 per cent.

LONDON STOCK EXCHANGE

Equities strong on US trade figures

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15

*New time dealings may take place from 9.00 am two business days earlier.

THE ANNOUNCEMENT of a sharp fall in the US trade deficit in November sent a wave of relief through the London securities markets at mid-session yesterday. Taking their cue from a powerful upswing in the US dollar, UK equities reversed an early fall to surge by 50 FT-SE points before slipping back from their best levels. London was helped along by a strong opening in New York. Equity turnover was moderate, however, and inter-marketmarket deals supplied much of the momentum.

Government bonds were also very firm throughout the session, helped both by the trade figures and by good news on domestic inflation. Gains were checked briefly when the pound fell, but prices rebounded as US bonds moved up strongly.

Mr Ian Harwood of Warburg Securities commented that the rebound in the US dollar would help allay fears that the Federal Reserve might have to raise US interest rates to protect the US currency.

The equity market was standing 5 FT-SE points down, with business at a standstill, when the news of a US November trade deficit of only £13.2bn flashed across the trading screens.

The news had an electrifying effect in London, where some UK securities houses had anticipated a deficit figure in the £20bn range and were slow to follow the rest of the market in switching to the bull tack following the trade figures announcement.

These houses took a beating when other market firms, both London and US-based, flooded the screens with aggressive buying orders for the international stocks. Within minutes, "backwardations" –indicating that shares could be bought from some dealers below the prices offered by others – were showing against such major names as **Glaxo, Beecham, BAT Industries** and **ICL**. However, both screen quotations and market indices were overwhelmed for a time as traders struggled, unsuccessfully, to input prices.

When the market regained its poise, share prices shot up, led by a 60 point premium on the FT-SE 100 November Futures contract. The fall in the pound brought in buyers for the major exporting shares, and oil stocks continued to trade heavily.

FINANCIAL TIMES STOCK INDICES

	Jan. 15	Jan. 14	Jan. 13	Jan. 12	Jan. 11	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	87.96	87.56	86.97	87.54	87.60	85.43	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.55	94.44	94.46	94.62	94.52	91.52	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1436.7	1398.7	1391.1	1396.9	1417.4	1403.0	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	294.5	284.1	286.1	290.8	296.5	333.0	497.5 (4/8/87)	261.6 (6/11/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.33	4.45	4.48	4.46	4.40	4.08				
Earnings Yld. %(full)	10.83	11.14	11.21	11.14	11.01	9.62				
P/E Ratio (net)(*)	11.32	11.00	10.93	11.00	11.13	12.75				
SEAQ Bargains (5pm)	27,832	20,191	20,826	23,743	27,733	44,842				
Equity Turnover (£m)	-	990.56	858.29	845.33	994.15	1757.58				
Equity Bargains		21,104	22,624	25,242	31,429	54,066				
Shares Traded (ml)		314.2	371.8	362.5	408.8	625.2				

S.E ACTIVITY

Indices	Jan. 14	Jan. 13
Gilt Edged Bargains	135.7	115.3
Equity Bargains	136.7	146.6
Equity Value	2002.2	1734.8
5-Day average		
Gilt Edged Bargains	115.6	109.7
Equity Bargains	172.0	185.5
Equity Value	1992.8	2216.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1392.0	1393.3	1393.1	1393.9	1394.2	1412.2	1440.1	1431.7

Day's High 1440.4 Day's low 1391.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=11.20. S.E. Activity indices for 12/1/88 are available from F.T. Prices tel: 01-403 0669

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

At the close, the FT-SE 100 Index was 43.3 up at 1786.7, after the mid-afternoon surge had taken it to 1791, an area last visited on Christmas Eve.

Government bonds responded to good news on UK inflation, in the form of an unexpected 0.1 per cent dip in December retail prices. Index-linked issues, which have been following conventionals of late, reverted to their traditional role, falling yesterday by about ⅛ as the retail sales figures suggested a slackening of inflationary pressures. Short Gilts hung fire, following money market worries that rates could move upwards.

The medium and longer dates quickly brushed off a dull opening and moved ahead on expectations of a low PSBR next year. Prices were ⅛ up when the US trade figures news pushed them ahead by a further ½ point. The extra gain was soon lost, but prices rallied again. At the close, long-dated stocks were a net one point up, with the mediums ⅜ to the good.

When the dust settled in the City, the market professionals admitted that concerns over the dollar will continue to linger in securities markets for the present. Moreover, weakness in the pound will strengthen the chances of the increase in UK base rates at which both the UK Chancellor and the Governor of the Bank of England have hinted.

British Gas took over from BP and Britoil as the most active issue in an oil and gas sector brimming over with news and rumours. A firm performance by crude oil prices – February Brent was up 25 cents to $16.75 late in the day after reports that a Norwegian tanker had been attacked in the Gulf of Hormuz, output cuts, and denials of price discounting – coupled with the good news from the US lifted British Gas shares 3 to 137p after a turnover of 137p.

But much investment attention remained fixed on the British/BP/Arco situation after Britoil's rejection of the share plus cash offer from BP. Turnover in **Britoil** topped 6.2m shares and the shares settled unchanged at 457p as a good two-way business developed. ARCO were thought to have picked up more shares after announcing their stake had been upped to 23.83 per cent. Rumours in the market suggested the Britoil defence document could contain an asset value of as much as 650p a share and that any counter from ARCO in the region of 480p would be followed by a higher bid from BP, perhaps up to 550p.

BP shares, both "old" and "new" rallied strongly after the general upturn in equities with the latter 1½ up at 74p on a turnover of 3.3m and the former 5 firmer at 257p on a turnover of 4.3m. **Shell**, overshadowed recently, sprang to life following good support from two leading marketmaking firms and the shares raced up ⅜ to £10⅜.

LASMO jumped 8 to 305p as market talk suggested the long-awaited bid from RTZ could well materialise next week. **Enterprise**, stimulated by stories of some good news of the drilling front over the next couple of weeks, moved up to close 2 harder at 272p.

A bear squeeze develoed in **Calor Group** which sent the shares surging ahead to close 24 to the good at 458p. **Ultramar**, boosted recently by rumours that the near 13 per cent stake held by Sir Ron Brierley could be about to change hands, hardened 4 to 218p.

GEC was by far the most active stock in the electronics sector. The shares dropped to 151p early in the day after a newspaper report suggesting the Ministry of Defence had widened its investigation into GEC's Marconi division and that some £3.5 bn worth of contracyts were being closely examined.

But by the close the shares had recovered to settle only a penny off on balance at 156p after a turnover of 18m. The general market view of the situation was neatly summed up by a senior dealer in the shares who said " At worst the downside on this story is about 10p". **Grand Metropolitan,** currently battling with Seagram of Canada for control of Martell, the French cognac group, wasted no time in increasing its offer for the latter as the French authorities gave the go-ahead for open market bids from both companies; Grand Met has informed the French stock exchange that it is making a final offer of FFr.3,300 per share for Martell up from FFR.2,675 per share, conditional on Grand Met acquiring 50.1 per cent. The bid values Martell at £457m. Seagram has bid FFr.2,975 per share for Martell. On the news Grand Met's shares reacted from the day's high of 455p to 445p prior to closing 9 higher on balance at 449p.

Pilkington, the St Helens based glass company, remained in the limelight as speculators continued to pin their hopes on a bid for the company.

Once again, talk that BTR may return with a fresh offer for the company was behind a rise in the share price, up 8 at 247p, but late in the day Hanson joined the ranks of possible predators. Also, Pilkington announced proposals to increase its European prices for float glass by 6.5 per cent to 8 per cent, helped to enliven business. Some 10m shares changed hands.

Fianancial sectors performed exceptionally well after the US economic news "The last thing the clearers, merchant banksand insurance groups needed after the ravaging in October was another US–inspired slump" said one trader.

The big-four banks were highlighted by **Lloyds** which jumped a further 10 to 258p in response to a "buy" recommendation from Warburg Securities, "buy for the brave" advice from Morgan Grenfell and a recommendation to switch into the shares from Midland issued by UBS Phillips and Drew. **Barclays** added 11 more at 491p, still helped by the Wood Mac "buy" note while **NatWest** firmed 7 to 595p.

But preliminary results from **TSB** were deemed "disappointing" by dealers who kept the shares under pressure to close a fraction off at 115p.

Life insurances were "oversold" according to dealers. New life business figures gave a fillip to **Prudential**, up 15 at 843p, while composites showed **Sun Alliance** – hit recently by a BZW downgrading – up 16 at 837p. **Willis Faber** featured the brokers and slumped 16 to 222p after an apparent downgrading by UBS Phillips and Drew and talk of further staff defections. **Hogg Robinson** jumped 10 to 159p reflecting keen buying on the inter–dealer broking screens.

Breweries met with selective support with trade expanding from the recent low levels. Interest centred mainly on the majors.

Marketmakers welcomed the strong upturn in trade in the Building sector. **Blue Circle** attracted a turnover of some 4.1m shares and closed 8 higher at 428p, while **Redland**, with 1.8m traded including about 700,000 shares around the 427p level, firmed 6 to 436p. **Tarmac** revived strongly with a gain of 14 at 233p and **Rugby** firmed 5 to 243p. **Marley** continued to perform and closed 5 up at 142p, a two-day rise of 13, and **AMEC** added 5 more to 339p. **Ruberoid** gained 12 to 140p on revived bid speculation, while speculative demand lifted **Magnet** to 202p before the close of 2 dearer on balance at 200p: around 400,000 Magnet shares changed hands.

A smart recovery in the US dollar sparked support for **ICI** which closed ½ up at £11⅝. **Allied Colloids** picked up 8 at 135p and **Coalite** firmed 5 to 330p. **Amersham International**, a recent takeover favourite, firmed 6 more to 467p.

Cable & Wireless enjoyed widespread support and raced up 17 to 372p on a turnover of 4.3m shares reflecting its sensitivity to the dollar. **STC** added 5 more at 241p on a turnover of 6m still boosted by the "buy" recommendations from Morgan Grenfell and Citicorp Scrimgeour Vickers.

Leading Foods attracted a reasonable two-way business. **Cadbury Schweppes** gained 6 to 261p on currency influences and recently-dull **Tate and Lyle** revived with a gain of 17 at 787p. **Ranks Hovis McDougall** attracted revived speculative support on takeover hopes and put on 12 to 325p.

Trusthouse Forte attracted good support ahead of next Monday's preliminary statement and rose 10 to 225p; nearly 4m shares were traded.

Major international stocks came to life with a flourish as the dollar moved ahead in the wake of the US trade figures. Trading activity, which had fallen away to almost a trickle during the morning session, expanded noticeably as currency influences gave a sharp boost to confidence. Although best levels were not always held, closing gains were still substantial. **Hanson** were one of the most actively traded stocks, settling 6 to the good at 141p in a volume of some 14m shares. **Beecham** (4.6m) ended 20 higher at 469p and **Glaxo** (3.8m) closed ½ dearer at £10⅜. **Boots**, up 9 at 256p met with a steady stream of buyers while **BOC** were outstanding with a gain of 20 at 416p.

Elsewhere, renewed support was forthcoming for **Wellcome**, 10 to the good at 395p, and **London International** 5½ dearer at 292½p. **Fisons**, a current favourite with Warbrug Securities, met with fresh demand and put on 8 more to 273p. **Rank Organisation** improved afresh to 599p, up 15, ahead of the preliminary figures expected in about fortnight's time: Morgan Grenfell, the securities house, are forecasting pre-tax profits of £210m for 1987 and are also anticipating a 17 per cent increase in the final net dividend. **Reuters**, a particular US favourite, advanced smartly to close 38 dearer at 538p

Jaguar responded strongly to the upturn in the US currency and spurted 23 to 341p. **Lucas** firmed 13 to 596p and **Dowty** moved up 7 to 179p. Among Motor Distributors, **Lex Service** continued to attract buyers at 328p, up 10, while **T. Cowie** added 5 to 115p as takeover rumours revived. Gerald Ronson's Heron Corporation holds a near-5 per cent stake.

Bunzl at 166p, regained most of the previous day's loss of 7 which followed a profits downgrading by Warburg Securities. Among the other dollar sensitive stocks, **Saatchi and Saatchi** moved up 25 to 438p and **WPP** closed 15 better at 463p. US acquisition news left **Bemrose** 5 to the good at 211p. **Waverly Cameron**, reflecting the decision to go ahead with its plan for a management buy-in by Mr James Gulliver, advanced 10 to 440p.

Leading Property shares gave a muted response to the US November trade figures, as worries about a possible rise in UK interest rates resurfaced. **Land Securities** attracted a turnover of some 2.7m shares but only managed a gain of 3 at 461p. **MEPC**, 1.5m traded, firmed 4 to 444p.

Bats,in the limelight earlier this week following the $4.2bn cash offer for the Californian based Farmers Group, moved ahead strongly in the wake of the advance in the dollar and finished the day with a gain of 14 at 452p. Around 6.3m shares changed hands.

Traded option activity expanded and contracts totalled 42,510 comprising 26,731 calls and 15,779 puts. The **FTSE** contract attracted 2,794 calls and 2,932 puts. **GEC** registered 1,142 calls and 2,848 puts, while **Rolls-Royce** contributed 2,644 calls and 874 puts.

Traditional Options

- **First dealings Jan 4**
- **Last dealings Jan 15**
- **Last declarations Aor 7**
- **For Settlement Apr 18**

For rate indications see end of London Share Service

Stocks to attract money for the call included **SI Group, Inoco, Eagle Trust, Norfolk Capital, Blue Arrow, British Petroleum partly-paid, Plessey, Brunswick, BOM Holdings, Bennett and Fountain and Folkes.** A put option was arranged in **Morgan Grenfell**, but no double options were reported.

LONDON TRADED OPTIONS

Option		CALLS Jan.	CALLS Apr.	CALLS Jul.	PUTS Jan.	PUTS Apr.	PUTS Jul.
Allied Lyons (*342)	300	43	55	63	1½	7	18
	330	15	37	45	5	20	30
	360	3	22	32	23	38	47
Brit. Airways (*165)	140	26	33	40	2	8	12
	160	7	20	28	5	15	20
	180	2	13	19	20	25	32
Brit. & Comm. (*338)	300	40	60	75	1	13	24
	330	15	40	55	4	22	35
	360	3	25	40	27	45	50
B.P. (*257)	240	18	30	38	2	16	22
	260	3	18	28	7	27	32
	280	-	10	20	-	37	43
Bass (*795)	750	50	90	117	2	30	50
	800	17	63	92	20	58	75
	850	3	43	70	60	85	103
Cable & Wire (*372)	330	45	60	73	1	13	22
	360	17	42	57	5	25	33
	390	4	27	43	25	40	53
Cons. Gold (*873)	850	50	110	155	10	70	100
	900	14	90	135	40	110	140
	950	5	70	115	90	145	175
Courtaulds (*346)	300	48	63	73	½	12	20
	330	20	44	55	3	20	33
	360	6	29	40	20	37	52
Com. Union (*349)	300	50	63	73	2	12	23
	330	22	43	55	4	28	35
	360	3	27	42	18	45	50
	390	1	17	30	45	62	72
British Gas (*137)	130	8½	17	22	1½	8	13
	135	4¼	-	-	3	-	-
	140	-	11	17	-	14	19
G.E.C. (*157)	140	18	23	30	1	7	10
	160	3	13	21	6	15	20
	180	¾	8	15	25	29	33
G.K.N. (*308)	280	29	48	58	2	20	26
	300	15	36	48	6	29	35
	330	3	22	36	26	46	51
Grand Met. (*444)	420	27	47	63	3	25	33
	460	4	27	45	22	45	53
	500	2	15	30	60	73	78
I.C.I. (*1158)	1100	63	110	150	3	60	83
	1150	26	85	125	20	87	107
	1200	10	62	103	55	117	135
Jaguar (*339)	280	62	73	85	1	10	18
	300	42	58	70	1	18	25
	330	14	40	53	6	28	38
	360	4	25	38	25	43	57
Land Securities (*461)	420	43	65	78	3	12	23
	460	11	45	57	9	25	45
	500	2	28	37	42	53	72
Marks & Spencer (*182)	160	24	34	38	1½	8	11
	180	7	20	24	5	18	22
	200	1	11	15	20	30	32
Britoil (*457)	390	72	80	90	1	6	14
	420	43	60	67	4	12	22
	460	13	29	42	11	23	38
Rolls-Royce (*136)	120	17	23	29	1	9	15
	130	9	17	23	3	13	19
	140	3	13	19	8	20	25
Sainsbury (*232)	200	34	41	48	1	6	11
	220	14	28	36	3	12	19
	240	1½	17	25	11	22	29
Shell Trans. (*1040)	950	100	135	160	3	45	60
	1000	50	102	130	10	67	80
	1050	20	70	105	30	95	105
Storehouse (*252)	240	17	35	48	2	14	23
	260	4	24	37	11	23	33
	280	2	17	27	30	40	47
Trafalgar House (*328)	300	30	42	53	2	17	25
	330	8	28	38	8	27	37
	360	3	17	28	35	45	52
T.S.B. (*115)	100	17	20	24	1½	4	5
	110	7	12	17	2	8	11
	120	1½	8	12	7	12	15
Woolworth (*259)	240	25	45	55	2	15	22
	260	10	32	42	8	22	32
	280	4	22	32	25	40	42

Option		CALLS Feb.	CALLS May	CALLS Aug.	PUTS Feb.	PUTS May	PUTS Aug.
Brit Aero (*362)	330	45	55	67	10	28	35
	360	25	40	50	22	45	50
	390	11	28	-	42	65	-
BAA (*95)	90	12	19	21	5	11	15
	100	6	14	18	9	16	21
	110	3	10	12	19	23	27
BAT Inds (*454)	390	70	80	92	4	17	25
	420	47	60	75	10	28	35
	460	23	42	57	27	47	55
Brit. Telecom (*230)	200	33	42	47	2½	7	10
	220	19	28	32	7	11	17
	240	8	16	22	17	22	29
Cadbury Schweppes (*259)	240	30	38	45	7	16	22
	260	16	24	37	17	25	32
Guinness (*308)	280	37	45	52	6	17	23
	300	20	33	42	13	25	32
	330	7	20	-	33	42	-
Ladbroke (*359)	330	37	55	60	7	22	28
	360	18	37	43	20	35	40
	376	11	30	-	28	45	-

Option		CALLS Feb.	CALLS May	CALLS Aug.	PUTS Feb.	PUTS May	PUTS Aug.
LASMO (*305)	280	47	57	65	15	33	43
	300	35	47	55	25	43	53
	330	20	35	-	42	58	-
P. & O. (*544)	500	55	68	83	13	32	44
	550	20	37	58	34	60	70
	600	-	24	-	-	95	-
Pilkington (*247)	220	35	48	55	7	15	23
	240	23	37	45	15	25	35
	260	14	26	35	28	37	45
Plessey (*159)	140	25	32	36	5	10	13
	160	13	21	27	11	19	22
	180	6	13	18	27	32	36
Prudential (*843)	800	70	90	110	20	45	53
	850	40	65	85	40	67	80
Racal (*239)	220	28	41	48	7	14	23
	240	16	31	37	15	24	34
	260	9	21	-	29	34	-
R.T.Z. (*375)	330	60	85	105	8	27	38
	360	35	63	80	20	45	60
	380	18	48	-	30	55	-
Vaal Reefs (*$108)	100	15	23	32	9	16	19
	110	9	17	25	16	24	30
	120	6	13	20	24	33	37

Option		Feb.	May	Aug.	Feb.	May	Aug.
Conv. 9½% 2005 (*99)	98	-	-	4	-	-	3⅛
	100	-	-	3	-	-	4⅛
	102	-	-	2⅛	-	-	5½
Tr. 11¾% 1991 (*106)	104	1⅞	-	-	⅛	-	-
	106	⅝	-	-	1	-	-
	108	⅛	-	-	2⅛	-	-
Tr. 12% 1995 (*110)	108	-	2⅝	2⅞	-	1⅛	1⅞
	110	-	1⅝	2	-	2⅛	2⅞
Tr. 11¾% 03/07 (*115)	112	3⅞	4¼	-	⅝	1⅞	-
	114	2⅝	3⅜	-	1⅛	2⅛	-
	116	1⅝	2⅛	-	2⅛	3⅛	-

Option		Mar.	Jun.	Sep.	Mar.	Jun.	Sep.
Amstrad (*136)	120	25	32	37	7	11	15
	130	17	24	30	10	15	20
	140	12	21	25	16	21	25
Barclays (*491)	460	57	65	75	22	35	47
	500	30	45	60	47	57	67
	550	12	27	-	82	90	-
Beecham (*468)	420	70	88	98	12	23	32
	460	42	62	77	25	38	48
	500	25	44	60	45	60	70
Boots (*255)	220	42	52	58	8	15	20
	240	30	38	47	16	23	28
	260	20	28	35	25	32	40
BTR (*265)	240	38	45	-	9	18	-
	260	28	35	42	18	27	32
	280	16	25	33	30	40	42
Blue Circle (*421)	390	53	63	75	18	33	43
	420	35	50	60	32	48	57
	460	18	35	45	58	68	75
Dixons (*184)	180	22	35	40	16	20	23
	200	12	25	33	25	33	38
	220	7	15	25	40	48	52
Glaxo (*1032)	950	135	175	220	37	63	87
	1000	105	150	190	55	85	110
	1050	80	125	170	80	110	133
Hawker Sidd. (*458)	420	58	72	85	15	25	35
	460	37	52	65	33	55	63
Hanson (*140)	130	17	23	27½	5	8½	11½
	140	10½	16	23	9	13	16½
Lonrho (*261)	240	31	41	46	14	21	27
	260	19	30	36	24	31	37
	280	10	19	-	39	44	-
Midland Bk (*390)	360	55	62	75	17	30	40
	390	32	45	57	32	45	55
	420	20	30	-	55	62	-
Sears (*132)	120	19	24	29	5	9	12
	130	12	19	23	9	14	19
	140	8	14	19	15	20	24
Tesco (*159)	140	27	32	37	5	10	12
	160	14	20	27	14	22	23
	180	-	12	19	-	34	34
Trusthouse Forte (*223)	200	28	38	45	10	14	18
	220	17	27	37	17	25	30
	240	11	20	28	30	37	40
Thorn EMI (*572)	500	90	113	130	12	20	30
	550	60	80	95	23	40	50
	600	30	53	67	45	63	72
Unilever (*503)	460	67	85	103	18	37	47
	500	43	62	83	37	55	67
	550	23	40	63	70	88	100
Wellcome (*394)	360	58	75	93	15	30	40
	390	43	60	77	30	45	55
	420	30	47	60	50	60	75

Option		Jan.	Feb.	Mar.	Apr.	Jan.	Feb.	Mar.	Apr.
FT-SE Index (*1781)	1600	195	217	240	260	2	20	40	50
	1650	145	178	205	225	3	32	55	68
	1700	100	140	170	190	10	45	72	88
	1750	65	105	140	163	29	68	95	110
	1800	40	85	115	135	50	90	120	135
	1850	20	63	95	113	85	120	145	163
	1900	12	42	60	100	125	155	175	190

January 15 Total Contracts 42,510 Calls 26,731 Puts 15,779
FT-SE Index Calls 2,794 Puts 2,932
*Underlying security price.

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (6).

BRITISH FUNDS (1) Treas. 2pc. Il 1988, **BANKS (1)** Moorgate Mercantile Hldgs., **BREWERS (1)** Macallan-Glenlivet, **BUILDINGS (1)** Gibbs & Dandy, **PLANTATIONS (1)** Assam Dooars.

NEW LOWS (17).

AMERICANS (1) Manufac. Hanover, **BANKS (1)** Commerzbank, **BREWERS (1)** Clark (Matthew), **CHEMICALS (1)** BASF AG, **ELECTRICALS (1)** Philips Lamps, **INDUSTRIALS (1)** Alexander (W), **SHIPPING (1)** P & O 5½pc. Red. Non-Cum. Pref., **TRUSTS (3)** Child Health, Marine Adv. Tst., New Darien Oil Tst., **OILS (1)** Petrogen Pet., **OVERSEAS TRADERS (1)** GN Great Nordic, **PLANTATIONS (1)** Grand Central, **MINES (3)** Jo'burg Cons., Enterprise Gold, Nor-Quest Res., **THIRD MARKET (1)** Chelsea Artisans.

LONDON STOCK EXCHANGE

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings prices.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ♦ Bargains done the previous day. Δ Bargain done with non-member or executed in overseas markets.

Corporation and County Stocks No. of bargains included2

Corp of London3½% Deb Stk 83/93 – £89 (12Ja88)
Greater London Council6½% Stk 90/92 – £89¾
Blackburn Corp3½% Irrd Stk – £28♦
Hull Corp3½% Stk(2nd Iss) – £25♦
Leeds(City of)13½% Red Stk 2006 – £120 (8Ja88)
Lincoln Corp3% Red Stk 1919(or after) – £24
Salford Corp5½% Red Stk 86/88 – £96½ (12Ja88)
Local Authority10½% Bds 17/8/88 –

UK Public Boards

Commonwealth Government

Foreign Stocks, Bonds, etc–(coupons payable in London)

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

TSB Group PLCOrd 25p – 113 3 4 4 5 6 6 7
Warburg (S.G.) Group PLC7½% Cum Prf £1 – 102

Breweries and Distilleries No. of bargains included388

Allied-Lyons PLC5½% Cum Prf £1 – 60½
7½% Cum Prf £1 – 65 8 (12Ja88)
3% Red Deb Stk 85/90 – £80 (13Ja88)
5½% Red Deb Stk 87/92 – £86½ (11Ja88)
6¾% Red Deb Stk 89/93 – £85½ (8Ja88)
7½% Red Deb Stk 88/93 – £85 (13Ja88)
11½% Deb Stk 2009 – £108 ½ ¾ ¾
5½% Uns Ln Stk – £49 (12Ja88)
6½% Uns Ln Stk – £50

Registered Housing Associations

Commercial, Industrial, etc

Insurance

Investment Trusts

Plantations

Railways

Shipping

Utilities

Water Works

Unit Trusts

Mines – Miscellaneous

USM Appendix

Mines – South African

Oil

Financial Trusts, Land, etc

Property

Ross Consumer Electronics PLCOrd 10p – 165 (12Ja88)
Sharp & Law PLC8.5% Cum Red Cnv Prf 10p (Nil Pd–3/2/88) – 13 5 5 25
Shoroo Group Holdings PLCOrd 25p – 105 (12Ja88)
Sigmex International PLCOrd 10p – 70 (12Ja88)
Splash Products PLCOrd 10p – 90 90 (13Ja88)
Trevan Holdings PLCOrd 10p – 61 (12Ja88)
URS International IncShs of Com Stk $0.01 – 50 2 ½ 3
Willaire Systems PLCFixed Rate Cnv Cum Red Prf 2p – 113 (13Ja88)
Yelverton Investments PLC8% Cnv Uns Ln Stk 1997 – £80

The Third Market Appendix

No. of bargains included55

Medirace PLCWarrants to sub for Ord – 48 (12Ja88)
Swanyard Studios PLCOrd 1p – 3¼ ¼ ¾ ½ ¾ 4

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Acorn Securities 2♦20,4♦22,4,5 A$0.503
Alliance Exploration A$0.109
America Barrick Resources Corp Com NPV $20¼♦21.6♦ C$26.803♦27♦
Ames Department Stores $11⅛♦ (12/1)
Amsterdam Rotterdam Bank FL56.2
Anglo-Alpha 242 (12/1)
Aust. Oil & Gas A$0.632
Beverly Enterprises $7⅛♦
C.S.F. (Thomson C.S.F.) FR138.81♦ (12/1)
Central Norseman A$1.30 55
Churchill Resources A$0.992
Conex Aust 3
Cons. Petroleum Australia 10♦ (11/1)
Data Corp Com Stk 10
Development Bank of Singapore HK$9.451
Du Pont $81⅞♦ (13/1)
Eastcourt Ord 27.404
Emali Ord Stk A$2.4
Equity Silver Mines C$5.82 (11/1)
Free State Cons Gold Mines R36.4
Golconda Minerals 15
Golden Plateau A$0.249 (13/1)
Grants Patch Mining A$0.279 (8/1)
Greenbushes A$0.5,0.52 (13/1)
Greenvale Mining A$0.099 (13/1)
Greenwood Hldgs. 23 (12/1)
Groupe Bruxelles Lambert BFR2597.702♦ (11/1)
Hang Lung Development 33♦33⅛ (8/1)
Haoma North West 3⅛♦
Holiday Corp 12⅛♦
Hooker Corp A$1.764
Horizon Pacific A$0.416
Intl. Mining 5
James Resources 12 (8/1)
Japan Radio Y1242.54,1250 (13/1)
Jones (David) 208♦ (11/1)
Jones Mining A$5.48 (12/1)
Kansai Electric Power Co Y2543.48 (13/1)
Kern Corp 56
Killinghall Tin (Malaysia) Berhad Ord M$2.96
Kollmorgen Corp 565 (13/1)
Kreditkassen NKR141,142
Kulim Malaysia Ord 24
Magnum Resources A$3.088♦ (12/1)
Matsushita Electric Industrial Y2246.24,2251.4,2279.14
McCarthy Group 135♦ R9.2 (8/1)
Mid-East Minerals A$0.455♦ (11/1)
Mitsubishi Heavy Inds Y532.17 (13/1)
Mount Martin Gold Mines A$0.703 (8/1)
Nationale-Nederlanden CVA FL46¼,46.35,46½,46¾,46.9,47.15,47.2,47¼
Night Hawk Resources 30 (8/1)
Niugini Mining 218 A$5.417 (11/1)
Oil Search 31♦33 $0.58
Overseas Chinese Banking Corp S$6.965 (8/1)
Pancanadian Petroleum £11⅛ (8/1)
Petro Energy 1♦1⅛ (8/1)
Philips Communications Industries DM627.6 (8/1)
Pioneer Electronic Corp. Y2810
Plenty River Mining Co A$0.091 (13/1)
Poseidon 85,92,94½ A$2.2,2.32,2.342,2.35
Regal Hotels (Hldgs) 14 (12/1)
Rutgerswerke AG DM263♦ (11/1)
Safmarine & Rennies Hldgs R21¼
Service Corp Int £11.87,12⅛
Singapore Land S$5.36
Sky Line Explorn 462½
Societe Nationale Elf Aquitaine FR240♦242,241.935,245
Source Perrier 253¼♦ FR524.47♦ £54 FR533
Square Gold & Minerals 18½ (8/1)
Sun Hung Kai Properties HK$8.4♦
Tai Cheung Properties 22♦22⅛ (8/1)
Target Petroleum Ord 25♦20,25 (12/1)
Target Petroleum 8♦ (12/1)
Texas Instruments 27♦ (13/1)
Valiant Consolidated A$0.161
Vulcan Minerals A$0.321
Westfield Minerals C$2.62♦2.55,2.565
Wharf Hldgs HK$6.45
Woolinu Class 'A' 225♦ (11/1)
Yaskawa Electric Y618.8 (11/1)

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Adnams & Co. £15.25,50 (11/1)
Anglo American Agriculture 68,75 (13/1)
Ann Street Brewery 700
Celltech 410 (13/1)
Channel Island Communications 450 (11/1)
Dart Valley Light Rlwy 200,10 (13/1)
Dolphin Intl. 27 (13/1)
Exchem 70
Flightspares 751 (13/1)
Fredericks Place 653 (13/1)
Gale (George) 370,90 (8/1)
Grampian TV 45 (11/1)
Jersey Elec 5% Cum. Part Prf. 59 (11/1)
Kleinwort Benson Far East Fund £13.7325 (13/1)
Kunick Leisure 40.5
Le Riches Stores 400,3 (13/1)
Liverpool FC £200 (13/1)
Norton Villiers Triumph 6½,8,¼,½,9½
Pevril Group 14⅛ (13/1)
Rangers FC £13 (13/1)
Red Rose Radio 85 (12/1)
St Austell Brewery 5% Cum. Prf. 45 (12/1)
Shepherd Neame 475,85 (8/1)
Southern Newspapers 295 (12/1)
Spencer (Aberdeen) 55 (13/1)
Union Jack Oil 105,10 (12/1)
Wadworth 9¼% Cum. Prf. 107½,8 (8/1)
Wolverhampton Racecourse 260 (8/1)
Wynstay Props 130 (8/1)
Yates Brothers Wine Lodges 140 (8/1)

By Permission of the Stock Exchange Council

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 480	121	14 A	14	27	-	-	$ 481.10
GOLD C	$ 500	111	5	25	18.50 A	1	30 A	$ 481.10
GOLD C	$ 520	156	3	10	13 A	6	22.50	$ 481.10
GOLD P	$ 420	-	-	62	2.60	20	6	$ 481.10
GOLD P	$ 500	150	22	-	-	-	-	$ 481.10
		Jan. 88		Feb. 88		Mch. 88		
EOE Index C	Fl. 160	21	10.20	65	21.50	-	-	Fl. 178.41
EOE Index C	Fl. 170	334	0.10	305	13	1	17 B	Fl. 178.41
EOE Index C	Fl. 175	8	0.10	439	10.20	20	14.50	Fl. 178.41
EOE Index C	Fl. 180	7	0.10	413	8	50	11.30	Fl. 178.41
EOE Index C	Fl. 185	-	-	912	6.20	62	8.50	Fl. 178.41
EOE Index P	Fl. 155	-	-	355	1	-	-	Fl. 178.41
EOE Index P	Fl. 160	-	-	160	2.30	-	-	Fl. 178.41
EOE Index P	Fl. 165	814	0.10	327	3.50	76	4 B	Fl. 178.41
EOE Index P	Fl. 170	311	0.10 A	170	4.30	107	6 B	Fl. 178.41
EOE Index P	Fl. 175	188	5	83	6.50	13	8 B	Fl. 178.41
EOE Index P	Fl. 180	227	10	173	8.50	110	12	Fl. 178.41
EOE Index P	Fl. 185	1	15 A	192	11.50	122	14 B	Fl. 178.41
EOE Index P	Fl. 255	51	85	-	-	-	-	Fl. 178.41
$/Fl C	Fl. 180	62	3.75	58	9	65	9.50	Fl. 188.45
$/Fl C	Fl. 185	217	0.30	161	5.50	67	6	Fl. 188.45
$/Fl C	Fl. 190	-	-	1256	2.90	222	3.70	Fl. 188.45
$/Fl P	Fl. 180	469	0.25	184	0.80 B	118	1.30 B	Fl. 188.45
$/Fl P	Fl. 185	548	1.50	67	2.20 B	104	3.80 B	Fl. 188.45
$/Fl P	Fl. 195	100	11.70	-	-	5	9.50 A	Fl. 188.45
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl. 35	254	1.50	56	5.50	41	5.60	Fl. 38.30
ABN P	Fl. 35	703	0.10	107	1.30	14	2.50	Fl. 38.30
AEGON C	Fl. 60	163	0.10	61	5.70	-	-	Fl. 60.50
AEGON P	Fl. 65	102	8 A	-	-	-	-	Fl. 60.50
AHOLD C	Fl. 65	144	0.60	16	8.50	-	-	Fl. 68.40
AHOLD P	Fl. 65	398	1.10	89	4.50	5	7	Fl. 68.40
AKZO C	Fl. 90	1205	1	496	12	50	13	Fl. 94.90
AKZO P	Fl. 90	597	2.30	287	5.90 A	48	9.80	Fl. 94.90
AMEV C	Fl. 40	100	0.10	9	3.70 A	5	4.80 B	Fl. 39.50
AMEV P	Fl. 45	125	8.30 A	-	-	10	9 A	Fl. 39.50
AMRO C	Fl. 60	181	0.10	80	3.20	2	4.20	Fl. 57.80
AMRO P	Fl. 55	157	0.50 B	68	2.30 B	-	-	Fl. 57.80
ELSEVIER C	Fl. 45	819	0.10 A	176	3.90	4	6.30	Fl. 43
ELSEVIER P	Fl. 40	226	0.40	58	3 B	32	5	Fl. 43
GIST-BROC. C	Fl. 25	157	0.10	17	2.90 A	20	2.80 B	Fl. 24.80
GIST-BROC. P	Fl. 27.50	517	4	901	5	-	-	Fl. 24.80
HEINEKEN C	Fl. 120	145	2.20 A	65	15	11	20	Fl. 126
HEINEKEN P	Fl. 120	154	1	21	5	5	10 A	Fl. 126
HOOGOVENS C	Fl. 30	25	0.10	77	2.50 B	26	3.50 B	Fl. 27.50
HOOGOVENS P	Fl. 25	136	0.40	48	1.80 B	-	-	Fl. 27.50
KLM C	Fl. 30	913	0.30	475	3.80 A	57	5.30	Fl. 30.80
KLM P	Fl. 30	1240	1.50	964	2.60	18	3.50 B	Fl. 30.80
NEDLLOYD C	Fl. 180	147	0.10	295	10.50	7	14	Fl. 162
NEDLLOYD P	Fl. 160	145	2.50	15	14.50 B	4	18 B	Fl. 162
NAT.NED. C	Fl. 50	78	0.10	252	4	7	5 B	Fl. 49.50
NAT.NED. P	Fl. 40	-	-	220	1 A	-	-	Fl. 49.50
PHILIPS C	Fl. 30	-	-	376	0.90	83	1.40	Fl. 25.90
PHILIPS P	Fl. 25	687	0.70	425	2 B	62	3	Fl. 25.90
ROYAL DUTCH C	Fl. 210	669	0.10	910	11.60	37	15.50	Fl. 209.50
ROYAL DUTCH P	Fl. 200	1484	1.30	399	5.50	47	11 B	Fl. 209.50
ROBECO C	Fl. 95	-	-	59	1.50	-	-	Fl. 85
ROBECO P	Fl. 80	108	0.10	10	4.50	-	-	Fl. 85
UNILEVER C	Fl. 108	1254	0.90	-	-	-	-	Fl. 110
UNILEVER P	Fl. 100	1479	0.90	398	4	39	7	Fl. 110

TOTAL VOLUME IN CONTRACTS : 65,212

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	PK Finans. Intl(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'rantee	9½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equat'l Tst.C'p plc	8½	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williamson Secs.	8½
B & C Merchant Bank	8½	Financial & Gen. Sec	9	Standard Chartered	8½
Banco de Bilbao	8½	First Nat. Sec. Ltd	9½	TSB	8½
Bank Hapoalim	8½	● Robert Fleming & Co	8½	UDT Mortgage Exp	♦10.2
Bank Leumi (UK)	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank Credit & Comm	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Cyprus	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Bank of Ireland	8½	● Guinness Mahon	8½	Western Trust	8½
Bank of India	8½	HFC Trust & Savings	8½	Westpac Bank Corp	8½
Bank of Scotland	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Banque Belge Ltd	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Barclays Bank	8½	● Hill Samuel	§8½		
Benchmark Tst Ltd	8½	C. Hoare & Co.	8½		
Berliner Bank AG	8½	Hongkong & Shangh	8½		
Brit Bk of Mid East	8½	Lloyds Bank	8½		
● Brown Shipley	8½	Meghraj Bank Ltd	8½		
Business Mtge Tst	8½	Midland Bank	8½		
CL Bank Nederland	8½	● Morgan Grenfell	8½		
Central Capital	8½	Mount Bnkg Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	95	11	11	366	151	65
Corporations, Dom. and Foreign Bonds	22	0	32	77	37	160
Industrials	728	199	639	2,342	2,289	3,191
Financial and Props	326	62	247	927	879	1,369
Oils	32	20	60	146	161	253
Plantations	3	3	7	11	17	41
Mines	73	19	104	204	292	488
Others	80	67	102	328	459	460
Totals	1,359	381	1,202	4,401	4,285	6,027

LEADERS AND LAGGARDS

Percentage changes since December 31 1987 based on Thursday January 14 1988

Insurance(Brokers)	+ 6.70	All Share Index	+ 2.30
Conglomerates	+ 5.80	Food Manufacturing	+ 2.29
Metals & Metal Forming	+ 5.58	Industrial Group	+ 2.21
Shipping & Transport	+ 5.57	500 Share Index	+ 2.20
Investment Trusts	+ 5.23	Financial Group	+ 2.18
Mechanical Engineering	+ 5.23	Oil & Gas	+ 2.18
Motors	+ 4.97	Publishing & Printing	+ 2.13
Chemicals	+ 4.11	Insurance(Composite)	+ 1.52
Overseas Traders	+ 4.03	Other Industrial Materials	+ 1.41
Contracting,Construction	+ 3.46	Property	+ 1.21
Other Groups	+ 3.40	Consumer Group	+ 1.06
Leisure	+ 3.20	Mining Finance	+ 1.06
Capital Goods	+ 3.06	Electronics	+ 0.70
Banks	+ 3.01	Food Retailing	+ 0.61
Merchant Banks	+ 3.01	Insurance(Life)	+ 0.07
Telephone Networks	+ 2.91	Packaging & Paper	+ 0.02
Health & Household Products	+ 2.85	Textiles	- 0.04
Electronics	+ 2.71	Stores	- 0.35
Agencies	+ 2.52	Brewers and Distillers	- 1.25
Building Materials	+ 2.45	Gold Mines Index	- 5.97

BANK RETURN

BANKING DEPARTMENT	Wednesday January 13, 1988	Increase (+) or decrease (-) for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	94,489,272	+ 298,006
Bankers Deposits	1,095,184,948	- 70,396,544
Reserve and other Accounts	2,141,342,009	+ 106,372,789
	3,345,569,229	+ 36,272,251
ASSETS		
Government Securities	922,739,848	+ 80,020,000
Advance and other Accounts	776,839,561	- 62,935,179
Premises Equipment & other Secs	1,633,631,430	+ 11,027,227
Notes	12,019,800	+ 8,135,840
Coin	338,590	+ 24,363
	3,345,569,229	+ 36,272,251
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	13,317,980,200	- 348,135,840
Notes in Banking Department	12,019,800	+ 8,135,840
	13,330,000,000	- 340,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	4,922,927,627	- 877,767,335
Other Securities	8,396,057,273	+ 537,767,335
	13,330,000,000.	- 340,000,000

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	364.4	383.6	—	—
Eb'r Ph. Eq.	714.7	334.4	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	157.4	165.6	-0.3	—
International Acc.	119.0	125.2	+0.3	—
Property Acc.	121.9	128.3	—	—
Fixed Interest Acc.	146.6	154.3	+1.1	—
Money Acc.	135.1	142.2	+0.1	—
Bldg. Soc. Link Acc.	132.2	139.1	+0.1	—
Special Mngd. Acc. Q	139.2	146.5	—	—
Phoenix/Framlington				
Intnl. Growth Acc.	79.6	83.7	+0.3	—
Amer. & Gen. Acc.	72.1	75.8	+0.7	—
Capital Tst. Acc.	169.6	178.5	+3.6	—
Japan & Gen Acc	163.0	173.5	+2.3	—
American Turn. Acc.	71.3	75.0	+0.8	—
Recovery Tst. Acc.	156.9	165.1	+2.7	—
Special Mngd Acc.	133.2	140.2	+0.8	—
Phoenix/GT				
International Acc.	116.1	122.2	—	—
US & General Acc.	84.9	89.3	—	—
Amer Spec Sits Acc	58.6	61.6	+0.1	—
Japan & General Acc	154.2	162.3	+1.9	—
Far East & Gen. Acc.	126.4	133.0	+1.5	—
UK Capital Acc.	164.4	173.0	+0.9	—
European Acc.	123.5	130.0	-2.4	—
Special Mngd. Acc.	118.8	125.0	+0.2	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.3	276.2	—	—
Man Pens Inc & Cap Fnd	335.2	353.9	—	—
Money Fund	110.8	116.7	—	—
Pens. Mngd Fd (Unit)	84.5	89.0	—	—
Pens Mngd Fd (Acc)	94.2	99.2	—	—
Pens FT30 Fd (Unit)	125.3	131.9	—	—
Pens FT30 Fd (Acc)	139.7	147.1	—	—
Pens O'seas MgFd(Unit)	49.4	52.0	—	—
Pens O'seas MgFd(Acc)	55.1	58.0	—	—
Pens Fxd Int Fd (Unit)	104.8	110.4	—	—
Pens Fxd Int Fd (Acc)	116.9	123.1	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	[illegible]	Treas 7¾pc 1985-88‡‡	[illegible]	—	7.78	10.63
[illegible]	[illegible]	Exch 10½pc '88	[illegible]	—	10.45	8.92
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	—	9.73	9.07
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	—	3.05	6.92
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.49	9.21
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.26	9.36
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.48	9.28
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.14	6.55
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.36	9.42
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	9.98	9.44
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.75	9.46
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.25	7.94
[illegible]	[illegible]	Exch 10½pcCv '89	[illegible]	[illegible]	10.00	8.69
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]		12.21	9.37
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.69	9.40
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.80	9.41
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.28	7.03
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.38	8.94
[illegible]	50	Tr. 8pc Cv 1990 (50pd)	[illegible]	[illegible]	8.16	8.90
105	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	9.86	9.36
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]		2.81	6.79
[illegible]	[illegible]	Treas 11¾pc 1991	106	[illegible]	11.09	9.40
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.20	8.34
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.42	7.24
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	9.73	9.06
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.49	9.41
99	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.34	9.27
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.51	9.45
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.81	9.41
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.38	9.31
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.13	9.44
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.57	7.30
[illegible]	[illegible]	Exch. 12¾pc '92	[illegible]	[illegible]	11.17	9.57

BRITISH FUNDS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Treas. 7¾pc 2012-15‡‡	[illegible]	[illegible]	9.19	[illegible]
[illegible]	[illegible]	Exch. 12pc '13-'17	[illegible]	[illegible]	9.70	[illegible]
		Undated				
[illegible]	[illegible]	Consols 4pc	[illegible]	[illegible]	9.47	–
[illegible]	[illegible]	War Loan 3½pc‡‡	[illegible]	[illegible]	9.30	–
[illegible]	[illegible]	Conv. 3½pc '61 Aft	[illegible]	[illegible]	7.17	–
[illegible]	[illegible]	Treas. 3pc '66 Aft	[illegible]	[illegible]	9.74	–
[illegible]	[illegible]	Consols 2½pc	[illegible]	[illegible]	9.59	–
[illegible]	[illegible]	Treas. 2½pc	[illegible]	[illegible]	9.50	–

Index–Linked

1987/88 High	Low	Stock	Price £	+ or –	(1)	(2)
[illegible]	[illegible]	Treas. 2pc '88(297.1)	[illegible]	[illegible]	–	–
[illegible]	[illegible]	Do. 2pc '90(333.9)	[illegible]	[illegible]	.851	2.27
[illegible]	[illegible]	Do. 2pc '92‡‡ (385.8)	[illegible]	[illegible]	2.13	[illegible]
[illegible]	[illegible]	Do. 2pc '96(267.9)	[illegible]	[illegible]	3.50	[illegible]
[illegible]	[illegible]	Do 2½pc '01 (308.8)	[illegible]	[illegible]	3.98	[illegible]
110	[illegible]	Do. 2½pc '03(310.7)	[illegible]	[illegible]	3.99	[illegible]
[illegible]	[illegible]	Do. 2pc '06(274.1)	[illegible]	[illegible]	4.01	[illegible]
[illegible]	[illegible]	Do. 2½pc '09(310.7)	[illegible]	[illegible]	4.01	[illegible]
[illegible]	[illegible]	Do. 2½pc '11(294.1)	[illegible]	[illegible]	3.99	[illegible]
[illegible]	[illegible]	Do. 2½pc '13(351.9)	[illegible]	[illegible]	3.97	[illegible]
[illegible]	[illegible]	Do. 2½pc '16(322.0)	[illegible]	[illegible]	3.92	[illegible]
[illegible]	[illegible]	Do. 2½pc '20 (327.3)	[illegible]	[illegible]	3.85	[illegible]
[illegible]	[illegible]	Do. 2½pc '24 ‡‡(385.3)	[illegible]	[illegible]	3.79	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for May 1987:101.9 and for December 1987: 103.3 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37	21	Rep NY Corp $5	24	+¼	$1.16	–	2.6
18¾	9⅜	Rockwell Intl. $1	9⅝	–⅛	66c	–	3.9
30½	16¼	Sara Lee $1(1/3)	19⅝xd	–¼	$1.00	–	2.8
11½	8⅝	Saul (S. F.) $1	8⅞xd		20c	–	1.2
27¼	2¼	Southwestern Bell $1	19⅝	+⅛	k$2.32	–	6.6
22¼	994p	Staley Continental	11⅞	–⅛	80c	–	3.7
44½	21½	Sun Co. Inc. $1	28¼	+½	$3.00	–	5.8
42¼	22¼	TRW Inc. $0.625	25¼	–½	k$1.60	–	3.4
37¾	21	Tenneco $5	22½xd	–½	$3.04	–	7.4
220	149½	Do. 10pcLn.Stk. 91-5	155		10%	–	f4.7
29¾	15⅝	Texaco $6.25	20¾	–2	$3.00	–	8.1
74½	36½	Time Inc. $1	44½	–½	$1.00	–	1.2
30¾	15	Transamerica $1	17		$1.84	–	5.9
14¼	1¼	Transworld Corp $5	800p	–16	20c	–	1.4
27¾	12¼	TRINOVA Corp	16	+¼	56c	–	1.9
24½	12⅝	♥USX $1	16⅜		$1.20	–	3.9
37⅝	16⅜	Utd. Technologies	19¼	+⅛	$1.40	–	4.0
38¾	25⅞	US West ‖	27⅞	+¼	$3.28	–	6.4
30¼	17¾	Waste Management $1	20	+⅛	–	–	–
31⅜	11⅝	Whirlpool $1.0	13⅝	–¼	–	–	–
37⅝	16½	♥Woolworth $3½	19⅛	–⅛	$1.32	–	3.8

CANADIANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp ‖	287p	+5	–	–	–
26¼p	10p	♥Abbot Energy Corp	17p		–	–	–
18⅝	506p	♥Amer. Barrick Res	11⅜	+⅛	–	–	–
141p	4p	American Lightwave	6p	+1½	–	–	–
122p	33p	♥Annena	47p	+5	–	–	–
117p	39½p	Augmitto Expln	71p	+7	–	–	–
19⅜	10⅝	Bk. Montreal ‖	11¼	–⅛	$2.00	–	7.4
10½	488p	Bk. Nova Scot. ‖	553p	+5	72c	–	5.4
20⅝	15	BCE ‖	15⅝	–¼	$2.40	–	6.5
10⅜	511p	♥Bow Valley ‖	627p		♦40c	–	2.7

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES – Contd

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
516	309	Pearl Group 5p	447	+3	†10.5	–	3.2	–
*£11¼	733	Prudential	944	+16	†29.0	–	4.7	–
598	350	Refuge 5p	445	–3	15.75	–	4.8	–
595	345	Royal	400	+5	†Q25.5	–	5.2	–
110	65	Sabre Int. Insur.	80		–	–	–	–
*345	168	Sedgwick Group 10p	230		12.0	1.7	7.3	9.8
339	138	Steel Burrill J.10p	154	+1	†9.0	2.0	8.0	8.6
612	305	Sturge Hldgs 20p	406	+8	8.5	♦	2.9	♦
£12⅝	645	Sun Alliance	856	+5	†23.5	–	3.9	–
£13	865	Sun Life 5p	958	+5	†28.5	–	4.3	–
$69⅝	$36⅝	♥Taisho M EDR	$42½	+1		–	1.0	–
$22⅝	$12⅞	Torchmark $1.00	£13¾		Q$2.00	–	4.0	–
410	235	Trade Indemnity	367	+2	†4.3	–	1.6	–
£34	£17⅞	Travelers $1.25	£19½	–¼	$2.28	–	6.3	–
$30⅛	$15⅛	USF & G Corp $2.50	$17¾	–⅛	Q$2.48	–	7.9	–
$33⅝	$15⅝	USLIFE Corp. $1.0	£15⅝		Q$1.28	3.2	4.5	7.0
738	525	Wind Friendly B 10p	545	–5	21.8	–	5.3	–
464	192	Willis Faber 12½p	282	–16	†10.75	2.4	6.6	8.4
128	41	Windsor Secs. 10p	73		†0.7	2.5	1.3	–

LEISURE

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	18	‡A & M Group 10p	34	+2	–	–	–	–
242	77	Airtours 10p	95		Ld5.4	♦	8.2	♦
*549	253	Anglia TV	384	+5	†g11.25	3.3	4.0	10.7
194	77	‡Aspinall Hldgs. 10p	153		†6.0	1.2	5.8	22.5
141	62	‡Aviesco 1p	81	+1	0.5	6.7	0.8	22.9
72	40	‡BCE Hldgs 5p	44		Ld1.8	♦	3.1	♦
300	132	Barr & W.A.T. 'A'	185		†8.0	1.4	5.9	15.1
58	21	Bond Media	22		–	–	–	–
235	165	Boosey & Hawkes	172		–	–	–	–
85	28	‡Border T.V.	44	+3	1.4	2.4	4.4	12.8
*439	43½	Brent Walker 10p	320	+7	†18.5	2.8	4.4	15.0
124	79	Do 6pc Cv.Cm.Rd.Pf.	108	+1	6.0	–	8.2	–
*338	110	Campari Int. 20p	222	+6	†3.0	5.1	1.8	11.7
306	152	‡Castle Comms. 5p	175		12.0	2.0	5.4	12.2

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
130	95	M.L. Laboratories 1p	108		–	–	–	–
180	87	Medirace 10p	91		–	–	–	–
98	36	♥Owoca Gold IR 2p	44	–2	–	–	–	–
48	38	Propeller 1p	42		W–	–	–	12.8
*82	17	Publishing Hldgs.5p	31xr	+5	–	–	–	18.6
128	78	Seacon Hldgs.	78		–	–	–	11.9
26	18	Stalc Hldgs. 5p	23	+1	–	–	–	58.8
87	38	Theme Holdings	47	+1	1.0	1.9	2.9	25.2
96	28	Tomorrows Leisure 20p	31	+1	–	–	–	12.4
210	130	UPL Group 10p	132	+2	12.41	2.8	2.5	19.8
140	103	Unit Group	125		R4.6	2.5	5.0	(9.0)
85	85	Video Tape Recording 5p	85		L2.3	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	
Craig & Rose £1	625	
Finlay Pkg. 5p	78	
Holt (Jos) 25p	£11⅞	
IoM Stm. £1	250	

IRISH

Fund 11¾% 1988	£100⅝	
Nat. 9¾% 84/89	£100¼	+¼
Fin. 13% 97/02	£113⅝	
Arnotts	307½	–2½
CPI Hldgs	70	
Carrol Inds	122xd	
Hall (R. & H.)	107	
Heiton Hldgs	38	
Irish Ropes	120	+5
Unidare	300	+50

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	42
Amstrad	20
BAT	57
BOC Grp	46
BSR	13
BTR	33
Barclays	52
Beecham	52
Blue Circle	44
Boots	20
Bowaters	41
Brit Aerospace	42
Brit. Telecom	28
Burton Ord	32
Cadburys	30
Charter Cons	41
Comm Union	40
Courtaulds	42
FKI Babcock	14
FNFC	31
Gen Accident	105
GEC	22
Glaxo	155
Grand Met	50
GUS 'A'	158
Guardian	110
GKN	36
Hanson	19
Hawker Sidd	55
ICI	145
Jaguar	42
Ladbroke	40
Legal & Gen	33
Lex Service	35
Lloyds Bank	30
Lucas Inds	62
Marks & Spencer	24
Midland Bk	47
Morgan Grenfell	37
NEI	15
Nat West Bk	67
P & O Dfd	65
Plessey	20
Polly Peck	36
Racal Elect	30
RHM	40
Rank Org Ord	65
Reed Intnl	59
STC	29
Sears	18
TI	35
TSB	15
Tesco	22
Thorn EMI	64
Trust Houses	23
T&N	22
Unilever	62
Vickers	22
Wellcome	47
Property	
Brit Land	32
Land Securities	55
MEPC	54
Peachey	47
Oils	
Brit Petroleum	33
Britoil	28
Burmah Oil	52
Charterhall	7
Premier	10
Shell	125
Tricentrol	15
Ultramar	24
Mines	
Cons Gold	125
Lonrho	29
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

FINANCIAL TIMES

Saturday January 16 1988

W German nuclear inquiry extended abroad

By David Marsh in Bonn

WEST GERMAN government officials and criminal investigators in several European countries yesterday joined an inquiry into possible breaches of the nuclear Non-Proliferation Treaty.

The move followed allegations that a German nuclear transport company, Transnuklear, may have been involved in illegal shipments of nuclear material to Pakistan and Libya.

West German politicians from both right and left stepped up calls for more controls over the atomic industry. A leading West German nuclear industry official said the allegations, made public on Thursday, had done serious damage to public confidence in the industry.

Mr Thomas Roser, secretary-general of the Bonn-based Atom Forum, a group promoting nuclear power which links utilities, nuclear plant suppliers and government authorities, said: "All this is worse than Chernobyl."

He added: "It's not a technical mishap, it's the human factor. It is clear that our credibility is not at stake – it's gone."

Mr Klaus Toepfer, the Bonn Environment Minister who has responsibility for nuclear safety, told the Bundestag (federal assembly) yesterday that there was no "concrete evidence" for diversions abroad of potential bomb-making material.

However, state prosecutors as well as government authorities were investigating suspicions that nuclear material had been sent from the Belgian nuclear processing centre at Mol, near Antwerp, to Libya and Pakistan through the north German port of Luebeck, Mr Toepfer said.

The fresh allegations come on top of investigations into suspicions that Transnuklear organised widespread bribery throughout the nuclear industry to win business. This involved contravention of safety rules on more than 2,000 drums of nuclear waste shipped between West Germany and the Mol plant.

The European Commission and the Swedish Government were yesterday looking into the allegations of illegal shipments abroad. The investigation also involved Interpol, the international police organisation.

The director of the Mol plant said the centre had contracts with both Libya and Pakistan in "non-sensitive" areas but denied any involvement with fissile material.

Transnuklear's parent company, Nukem, is involved in nuclear fuel technology at an atomic industry site at Hanau. It is 45 per cent owned by RWE, West Germany's biggest electricity supplier. Degussa, the Frankfurt-based chemicals and precious metals company, owns another 35 per cent.

Siemens, the giant electrical group which is the country's largest nuclear concern, said the affair involving Transnuklear and Nukem had led to "general loss of confidence in nuclear energy".

Nuclear officials spoke of concern that West Germany's planned commercial reprocessing plant at Wackersdorf near the Czech border would now face an even more difficult struggle to win political acceptance.

Mr Lothar Spaeth, the conservative Prime Minister of the state of Baden Wuerttemberg, suggested possible nationalisation of the atomic transport sector to guarantee safety standards.

Scope for tax cuts increases

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor, may have the option of combining a zero public borrowing requirement with tax cuts of £4bn to £5bn in his March Budget because of the strength of government revenues.

The Chancellor said this week that the economy had been growing faster than the Treasury had thought in the autumn when it last published forecasts for public borrowing and revenues.

That is likely to result in higher-than-expected government revenues both in the current financial year and in the 1988-89 year beginning in April.

The Treasury will not have a definite forecast of the scope in the Budget for tax cuts and reductions in borrowing until next month, when it will be able to gauge the level of corporation tax receipts. These payments are traditionally concentrated in January.

It is also thought that if the scope for tax cuts looks as high as £5bn, the Treasury might keep some of that cash in reserve, perhaps by publishing a deliberately conservative set of revenue projections.

The Bank of England has already urged the Government to adopt a relatively cautious approach to tax cuts in order to limit any further deterioration in Britain's trade balance and to dampen inflationary pressures. It might also be politically imprudent to opt for massive tax cuts at a time of public disquiet over the level of spending in areas such as the National Health Service.

Whitehall officials acknowledge that the evidence so far suggests that receipts from both personal and corporate taxes will exceed earlier forecasts. Income tax revenues have been pushed up by buoyant earnings growth, while company profits have been remarkably strong.

The recent strength of revenues is underlined in a study this weekend by Mr Peter Spencer, an economist at the securities house, Credit Suisse First Boston, which predicts that the PSBR will be "comfortably" in surplus this year.

The study shows that income tax receipts are growing as fast as personal income this year, in spite of the 2p cut in the basic rate of tax in the March 1987 Budget. This growth is double the rate of 4.2 per cent forecast by the Treasury in 1987.

This is because the tax system is indexed to prices rather than incomes – the so-called fiscal drag – which means that in the absence of tax cuts government revenues tend to grow faster than incomes.

In his November Autumn Statement Mr Lawson forecast a public sector borrowing requirement of £1bn for 1987-88 but that was acknowledged in Whitehall as a "conservative estimate". Assuming tax payments this month are as strong as expected, the PSBR is likely to show a surplus.

The £1bn figure was pencilled in as the target for 1988-89 and it is understood that the Treasury's private calculations showed this left room for tax cuts of about £3bn. Since then, however, the buoyancy of the economy may have added £2bn to £3bn to prospective revenues, suggesting that Mr Lawson could cut his borrowing target to zero and still increase the scope for tax cuts.

Mr Gavyn Davies, an economist at US securities house Goldman Sachs, is similarly optimistic. His calculations suggest that the Chancellor may have room to combine a forecast of a zero PSBR with £4bn to £6bn of tax cuts, although he might disguise part of the revenue windfall by "window-dressing" the arithmetic.

Even if Mr Lawson opts for a relatively prudent net reduction in taxes, the scale of income tax cuts may be significantly larger if he raises additional revenues elsewhere.

Injunction over Nigerian debt

BY PETER MONTAGNON AND MICHAEL HOLMAN

THE SAGA of Nigeria's commercial debt rescheduling took another twist yesterday when Confidential Recoveries, a group of Hong Kong creditors, obtained a court order preventing full details of Thursday's creditors' vote from being divulged to the authorities in Lagos.

At a meeting on Thursday, representatives of about 13,000 trade creditors had been asked to vote on a controversial scheme to reschedule repayment of $3.2bn (£1.8bn) in overdue promissory notes over 22 years.

Mr John Krzywkowski, a partner in the law firm of Holman, Fenwick and Willan, which is representing Confidential Recoveries, said the temporary injunction until Tuesday was the first step in rallying support for an attempt to have the vote overturned if it came out in favour of the rescheduling plan.

Creditors present at Thursday's meeting voted 248 to 112 on a show of hands in favour of the Nigerian proposal, but this was only an indicative result because a 66 per cent majority, by value of debt held, is needed for the plan to take legal effect.

As counting continued yesterday, Mr Krzywkowski said there were two main points of concern:

- Creditors had been told that the Nigerian Central Bank would have access to the names of those who voted against the proposal.
- They had been wrongly informed ahead of the meeting by their trustees, the Law Debenture Trust Corporation, that a 50 per cent vote was required for a formal default to be called, whereas this could be done by only 25 per cent of creditors.

Both points were likely to have deterred creditors at Thursday's meeting from voting against the proposals, Mr Krzywkowski said.

Mr Bill Park, a City lawyer, who chaired the meeting, told creditors on Thursday that the erroneous percentage, contained in a formal letter to them, was a mistake but some had voted by post in advance of the meeting.

Law Debenture declined to comment on the injunction or on Mr Krzywkowski's complaints last night.

Businessmen and bankers close to the proceedings said the result of the count, which will not be known until Monday, was likely to be very close, once the monetary value of the votes cast had been assessed.

However, some argued that the concern expressed by Confidential Recoveries was unfounded.

Barclays to sell retail interests in California

By Anatole Kaletsky in New York

BARCLAYS, the second-largest UK bank, is selling its Californian retail banking business to Wells Fargo for $125m (£70.34m).

Wells Fargo, the third biggest bank in California and the ninth in the US, acquired Crocker National Bank from Britain's Midland Bank nearly two years ago for $1.08bn and has pursued an aggressive policy of expansion in retail banking throughout the state.

The decision to sell Barclays Bank of California, which is one of Barclays' biggest retail banking operations outside the UK, confirms a shift in the bank's emphasis from consumer to corporate business, particularly in its international activities.

Barclays will continue doing corporate business in California from the San Francisco and Los Angeles offices of Barclays Bank plc.

Mr John Kerslake, chief executive of the North American operations, said yesterday: "We intend to remain in California as an increasingly significant player in the corporate market, which is in line with Barclays' plans to be a major provider of corporate banking services in the US and globally."

Nevertheless, the decision to pull out of Californian retail banking underlines the modest results achieved by Barclays in its effort, which began in the 1970s, to become a major force in US retail banking. It also raises a question mark over the future of Barclays Bank of New York, the East Coast consumer subsidiary which is roughly double the size of the California business.

Barclays of California consists of 50 branches in the San Francisco, Los Angeles and Santa Barbara areas. It has total assets of $1.3bn, deposits of $1.1bn and employs about 1,100 people. Barclays of New York has 80 branches and assets of $2.5bn.

Mr Kerslake said the bank had no plans to sell the retail network in New York.

Barclays is the latest in a series of British banks which have withdrawn from the Californian banking market in recent years.

However, National Westminster, the biggest UK clearing bank, has been expanding successfully in the US consumer banking business since its takeover of Bank of North America, now renamed National Westminster Bank USA.

While Barclays tried to develop retail businesses on both coasts, and at one time had aspirations to a nationwide presence, NatWest has been building itself into a "super-regional" bank, focused on the north-east.

Young plans takeover changes

BY PETER RIDDELL, POLITICAL EDITOR

TAKEOVER BIDS that involve novel or highly leveraged financing methods may be permitted without full Monopolies and Mergers Commission scrutiny under the terms of the Government's revised mergers policy.

This would have meant approval for the Elders IXL bid for Allied-Lyons which was referred to the MMC two years ago.

Following publication of a white paper on Tuesday, Lord Young, the Trade and Industry Secretary, has indicated that the new rules for referral will be tightly defined.

The basic policy reaffirms the so-called Tebbit rules of July 1984 (named after the former DTI Secretary), under which the main, though not exclusive, consideration in determining whether mergers should be referred to the MMC will be their potential effect on competition.

The white paper proposes that the law should continue to give the Trade and Industry Secretary discretion to refer mergers on other public interest grounds.

However, Lord Young has stressed that this refers principally to security and similar national interest issues, as might apply with a defence supplier, and that this discretion should be used only in exceptional circumstances.

In particular, he has said that Government or one of its agencies might not be the right body to judge questions of leveraged debt, which should be decided by the markets.

Apart from the general simplification and acceleration of merger procedures, Lord Young attaches particular importance to the innovation of moving from the present scrutiny, which adds together the current combined market shares of the companies involved in a merger, to the new basis which will also take into account future behaviour.

Companies may be required to keep below a specified share of the market on the basis of a legally-binding agreement with penalties attached.

The white paper refers to the new powers of the Director-General of Fair Trading which allow him to propose binding undertakings about post-merger behaviour designed to prevent anti-competitive effects.

Man in the News, Page 7

DEC and Apple to link computers

BY ALAN CANE

A FORMIDABLE new alliance between the world's largest minicomputer maker and the pioneer of personal computing yesterday upset the balance of power in the computer industry.

Digital Equipment Corporation (DEC), which built the first minicomputer 20 years ago, and Apple Corporation, the personal computing pioneer, announced a joint development effort designed to make it simple for DEC minicomputers and Apple Macintosh personal computers to work together as office systems.

Networks of personal computers linked to powerful minicomputers are expected soon to dominate in office automation. The business computing industry and observers see in DEC and Apple, working together, a formidable challenger to IBM, the world's largest computer maker.

IBM dominates the market for corporate mainframes, but in the faster growing market for mid-range and office systems it has lost market share to DEC. Its machines communicate easily with one another and seem better-suited to the modern business environment.

DEC has a significant weakness – it has no offering in the field of personal computers which is dominated by IBM and manufacturers of IBM-like PCs.

The Apple Macintosh, a revolutionary personal computer featuring screen pictures and a "mouse" as the control system, is the only real alternative to the IBM standard. There is increasing evidence that office workers prefer the Macintosh to the IBM for many activities.

Apple has a growing presence in corporate accounts, where DEC has been winning orders.

Mr John Sculley, Apple president, said: "The big winners will be large companies and universities who will have new opportunities for powerful, highly integrated, multi-vendor office systems that are easily usable."

It is thought that more than a third of the companies with large DEC minicomputers are already using Apple Macintoshes.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
Treas. 8¾% 1997	£93⅝	+	⅝
Abbey Life	247	+	13
BAT Inds.	452	+	14
BOC Group	416	+	30
Beecham	469	+	20
Cable & Wireless	372	+	17
Calor Group	463	+	29
Coats Viyella	263	+	18
Fairline Boats	370	+	40
Farnell Elec.	161	+	9
Hogg Robinson & GM	151	+	12
ICI	£11⅝	+	½
Lloyds Bank	264	+	16
LASMO	307	+	10
Pilkington	247	+	8
Rank Org.	599	+	15
R.H.M.	325	+	12
Reuters B	538	+	38
Ruberoid	140	+	12
Shell Transport	£10½	+	⅜
Tarmac	233	+	14
Tate & Lyle	787	+	17
Trusthouse Forte	225	+	10
FALLS			
Willis Faber	222	–	16

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	16	61	Dallas †	F	-2	28	Madeira		–	–	Prague	C	-2	28
Algiers	S	19	66	Dublin	S	8	46	Madrid	F	8	46	Reykjavik	S	-3	27
Amsterdam	F	5	41	Dubrovnik	F	12	54	Majorca	C	16	61	Rhodes	S	12	54
Athens	F	10	50	Edinburgh		–	–	Malaga	Dr	13	55	Rio de Janeiro		–	–
Bahrain	F	20	68	Faro	F	14	57	Malta	F	17	63	Rome	F	16	61
Barcelona	F	10	50	Florence	R	13	55	Manchester	C	7	45	Salzburg	C	1	34
Belfast	C	5	41	Frankfurt	C	4	39	Melbourne	F	25	77	S'Francisco †	C	9	48
Belgrade	S	0	32	Geneva	S	9	48	Mexico City		–	–	Santiago		–	–
Berlin	C	0	32	Gibraltar	C	14	57	Miami †	S	18	64	Seoul	S	5	41
Biarritz	F	8	46	Glasgow	R	7	45	Milan	R	2	36	Singapore	C	27	81
Birmingham	C	6	43	Guernsey	S	8	46	Montreal †	F	-19	-2	Stockholm	C	4	39
Blackpool	S	7	45	Helsinki	C	2	36	Moscow		–	–	Strasbourg	C	2	36
Bombay		–	–	Hong Kong		–	–	Munich	C	0	32	Sydney		–	–
Bordeaux	C	6	43	Innsbruck	F	13	55	Nairobi	F	27	81	Tangier	C	12	54
Boulogne		–	–	Inverness	F	7	45	Naples	F	13	55	Tel Aviv	F	16	61
Bristol	Fg	5	41	Isle of Man	S	9	48	Nassau		–	–	Tenerife	R	15	59
Brussels	R	4	39	Istanbul	F	4	39	Newcastle	S	6	43	Tokyo		–	–
Buenos Aires		–	–	Jersey	S	7	45	New Delhi	S	18	64	Toronto †	Sn	-9	16
Budapest	Sn	-3	27	Johannesburg	F	26	79	New York †	F	-12	10	Tunis	S	20	68
Cairo	F	17	63	Las Palmas	C	18	64	Nice	C	11	52	Valencia	C	12	54
Cape Town	S	23	73	Leeds	C	8	46	Nicosia	R	10	50	Venice	R	8	46
Cardiff	S	7	45	Lisbon	F	10	50	Oporto	F	9	48	Vienna	C	-2	28
Chicago †	C	-6	21	Locarno	Sl	1	34	Oslo	S	5	41	Warsaw	S	1	34
Cologne	C	5	41	London	Fg	5	41	Paris	C	6	43	Washington †	F	-9	16
Copenhagen	Fg	3	37	Los Angeles †	F	11	52	Peking		–	–	Wellington	S	18	64
Corfu	F	13	55	Luxembourg	R	2	36	Perth	S	28	82	Zurich	S	5	41

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Continued from Page 1

US trade deficit

financial markets yesterday. Some Wall Street economists predicted that they could signal the beginning of a sustained improvement in the nominal deficit, reflecting the improvement in volume which has been clear for the past six to nine months.

Mr David Jones, economist at Aubrey Langston & Co, said: "It's hard to imagine how we could have gotten a better number. The drop was much more than expected."

In London the view was different. Economists said that the average of the October and November trade figures was $15.4bn, which suggested there had been little or no improvement in the trade picture.

Mr George Magnus, an economist at Warburg Securities, said: "We will need many more months of good trade figures before we get carried away. Financial markets will need to see figures of $12bn a month consistently."

He pointed to the deterioration in US invisible trade, due to the rising costs associated with servicing the US's massive external debt, and America's worsening current account position as a potent force which could undermine the dollar in future.

However, in London and New York the financial markets, which had feared a much larger November deficit, responded to the release of the trade figures with relief bordering on euphoria.

Although the FT Ordinary Share Index rose by 38 points to close at 1,436.7, Mr Richard Jeffrey, of Hoare Govett, said that until buying interest was more widely spread the market remained vulnerable to one-off "events" such as the release of US economic data.

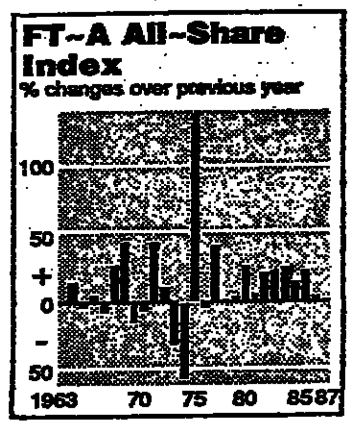
In New York, US equities and bonds rallied sharply. The rally, however, was based more on relief that the worst fears about yesterday's figures had not been realised rather than a positive longer-term appraisal of trends.

In London, the dollar closed at DM1.679 compared with DM1.637 on Thursday and at Y130.4 compared with Y126.7. The pound finished at $1.777 compared with $1.819 on Thursday and at DM2.9825 compared with DM2.9775. The Bank of England's trade-weighted sterling index closed 0.5 points lower at 74.7.

THE LEX COLUMN

A semi-sensible celebration

FT Index rose 38.0 to 1436.7



There was little objectivity in the market's gleeful response to yesterday's "good" US trade figures. Sheer relief rather than cool analysis was behind the dollar's three per cent jump and the 50 point rise in stock markets in London and New York. A calmer appraisal of the monthly series is bound to crush some of the enthusiasm, although it may not eliminate it altogether.

It will, no doubt, be argued that the large rise in US exports in November was genuinely encouraging, and that with the December figure likely to be flattered by seasonal influences, the worst is probably over. Yet before calling the turn for the trade deficit – and hence for the dollar – the market should reflect how silly those who extrapolated from last month's dreadful trade figures look now. The two months taken together show an average deficit of $15bn, which is not encouraging by any standards.

At the very least, November's deficit will reinforce the floor under the dollar which was established by well-judged Central Bank intervention last week. While a more convincing upward move may require evidence that the US Government is taking its fiscal medicine, these figures may paradoxically deter it from acting by lessening the immediate need for a rise in the discount rate. The corollary is that the chance of the rise in UK base rates, which the money and gilt markets have been expecting all week, has been increased. However, with the Government's exchange rate policy directed more at the D-Mark than the dollar, it would probably take a fall to 2.95 to trigger such a movement.

The London stock market's heady reaction to the trade figures displays how expansive investors are feeling at the moment. Yesterday the market touched its best level since October, and will start next week poised to push through 1,800 on the FTSE 100. This week it tried and failed, courtesy of Wall Street; next week, with the dollar and Wall Street on firmer ground, it might just succeed.

TSB

For a group which has spent almost all of the £1.3bn it raised from its shareholders on a number of poorly timed acquisitions, TSB Group's refusal to disclose the size of the fees it has paid to its advisers reflects a rather cavalier attitude to shareholders. Taken along with the decision not to renegotiate the terms of its takeover of Hill Samuel after the stock market crash had greatly reduced the value of its investment, this smacks of a group which is more interested in spending money than boosting shareholder returns. It could perhaps also explain why the shares have performed so miserably since the flotation.

Pre-tax profits in TSB's latest financial year rose at an annualised 40 per cent, but the performance at the attributable level is far more modest and a 10 per cent rise in the dividend is not generous. The group's balance sheet has grown considerably faster than profits, but the good news is that the group seems to be winning market share in its core retail banking operations. The resolution of the management succession question and the successful integration of Hill Samuel will determine whether the TSB remains a rather dull investment or becomes a high flying financial services company.

Martell

When a company is at pains to stress the strategic importance of an acquisition, one can usually take it that it is also expensive. Martell is certainly that. Given that Grand Metropolitan's final offer for the family-run cognac house already represents an exit multiple of 28 times current earnings, it is not surprising that the company thinks it prudent to stop there.

The commercial logic of a GrandMet-Martell link remains compelling, both in terms of products and geography. Martell's strengths – cognac and the Far East, where it has an extensive distribution network – are both growth markets. GrandMet's claim that, by the end of the next full year, the acquisition will represent no dilution of earnings looks optimistic – but not by a lot. For Seagram, with its weaker international brand portfolio, the logic is less convincing. But there is, in any case, little reason to believe that logic will prevail over dynastic concerns. The Martell family has made it clear it wants to do a deal with the Bronfmans of Seagram, and the Canadians could even get away without raising their latest offer (11 per cent below yesterday's from GrandMet). The end is nigh, and the betting is on a family affair.

Seasonal factors

The behaviour of the world's stock markets over the last few months will have convinced many investors that no one ever really knows which way the market is heading. It could be that the only investment prediction to be made with any degree of certainty these days is that shares will move up, down and sideways, and not necessarily in that order. However, there are those who would quarrel strongly with this defeatist attitude

In the US, computer correlations are drawn between the stock market's performance and everything from the level of ladies' hemlines to presidential election years and the winners of the Super Bowl. There is rarely any obvious reason why certain events can be connected with subsequent movements in share prices, but there are plenty of investors, in the US at least, who rely more on these cosmic messages than on underlying fundamentals.

The January barometer is a case in point. If the Dow ends the first month of the year higher than it started, then Wall Street will finish the year higher. This has proved correct in 32 of the last 37 years, but in the UK the connection is far less obvious. It correctly signalled the sharp declines in 1973 and 1974, but in 1978 and 1981 the market fell in the first month and rose over the year. However, a recently published book* has found evidence of long-term seasonal patterns in the UK, with March and April tending to mark the peak of business and stock market confidence, while October/November are often the low points. For those who like to observe the old stock market traditions, it may still make sense to sell in May and go away provided you remember to come back in November.

**Seasonal Patterns in Business and Everyday Life; W.T.Thorneycroft; Gower Press.*

WEEKEND FT

Saturday 16/Sunday 17 January 1988

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Gaitskell's orphans

"In his view, we couldn't afford to lose the next election again. Then there would really be a growth of a Liberal Party and a split." The words were Hugh Gaitskell's, the listener Richard Crossman, who recorded them in his diary. The date was October 19, 1959.

The death 25 years ago this week of Labour Party leader Hugh Gaitskell left an unfilled vacuum in British politics. Peter Pulzer explains

MUCH has been made of the parallel between the Labour Party's position then and now: a third successive defeat; the realisation that social trends were undermining its electoral base; the fear that, historically, Labour had peaked and might never form a government again. There are similarities, too, in the party's internal divisions: the tension between words designed to reassure the faithful and actions aimed at attracting the broad mass of electors; the crucial role of defence policy as a test of ideological purity; the emotional and practical difficulties of adjusting to a new electoral landscape.

Gaitskell's prescient analysis came out even more strongly at the 1959 post-mortem Blackpool conference: "The changing character of Labour, full employment, new housing, the new way of living based on the telly, the fridge, the car and the glossy magazines – all these have had their effect on our political strength." He was even more emphatic on the Liberal threat: "They will probably go for the young voters and the social groups of whom I have just been speaking...If they were ever to look like becoming a serious political force again, the process might easily gain momentum. We must not allow it to start."

His answer to the challenge of defeat was twofold: to modernise the party's image and to hold the line on defence. On policy, he was not an extreme revisionist. Unlike Douglas Jay, he did not want to break the trade union link, drop the party's name or renounce all public ownership. He did want to write a New Testament for a new age and to drop from the party's constitution Clause IV, which committed it to "the common ownership of the means of production, distribution and exchange."

His supporters and opponents alike were aware that this was not primarily a quarrel about what a Labour government would do. (Gaitskell himself favoured the nationalisation of iron and steel, road haulage and urban building land; the Left did not realistically think it could nationalise everything, still less those figures of the party centre, like James Callaghan, John Strachey or George Brown, who wanted to let sleeping dogs lie.) It was, as policy disputes so often are, a contest for power, for the right to determine what the party should mean to its members, its voters and the waverers.

If the Clause IV battle was fought on grounds of Gaitskell's choosing, that on unilateral nuclear disarmament was not. But that was the making of him. Here was a quarrel that was both symbolic and real. Like the Clause IV dispute, it was about the kind of party Labour should be. It was also about what it would do if elected to office; indeed, whether it was fit to be elected.

He is remembered above all for the "fight and fight and fight again" speech at Scarborough in 1960; yet this was not only about personal commitment or political morality, it was also about the balance of power in a party. It was about the rights and duties of members of parliament, about the principles of Edmund Burke adapted to the age of universal suffrage. "Your representative owes you, not his industry only, but his judgment," Burke told the electors of Bristol; Labour MPs, Gaitskell claimed, could not be expected to change their opinions on the basis of a card vote, its outcome determined before the debate by delegates at least some of whom had a dubious loyalty, not only to the Labour Party but to the institutions of liberal democracy. "I do not believe," he said, "that members of parliament are prepared to act as time-servers...People of the so-called Right and the so-called Centre have every justification for having a conscience, as well as people of the so-called Left."

Gaitskell lost the Clause IV fight against what Hugh Dalton called "this idiot loyalty to an undigested phrase." He won the fight on defence at Blackpool the following year by retaining his hold on the constituency parties and converting enough trade unions.

One other change had occurred in the intervening year: the Gaitskellites had organised, in the shape of the Campaign for Democratic Socialism, with William Rodgers (later one of the SDP Gang of Four) as its secretary. Its role was twofold – not only to hold the line in the constituency parties and reverse the tide in the unions, but also to give moral sustenance to individual party members who felt increasingly isolated and alienated by the rhetorical and organisational dominance of the Left.

Given the ease with which Gaitskell won at Blackpool, the second was probably the more important – an impression strengthened by the letters that the CDS and Gaitskell himself, after his Scarborough speech, received. The CDS, however, quickly acquired a life of its own: it was Gaitskellite on its, not the leader's, terms. It supported him on Clause IV and on unilateralism, but was dismayed by his opposition to British entry to the Common Market.

Fifteen months after his Blackpool triumph, Gaitskell was dead. He bequeathed a party that was transformed in attitude but not in structure. He had given little thought to organisational change. He was content with securing the autonomy of the parliamentary party *de facto* without anchoring it *de jure*. He did not object to the trade union block vote, only to the way its conference delegates were mandated. In so far as he toyed with the notion of one member, one vote, it was for use within the unions, not the constituency parties.

Gaitskell had great faith in the ordinary member's common sense and his own powers of rational persuasion. Both seemed justified by the outcome of the Scarborough debate, when many constituency delegations switched their votes after hearing his speech, making the unilateralist majority much narrower than anyone had expected.

His mission was to cure the party of ideological self-indulgence, of its ambivalence about power, of speaking to itself instead of to ordinary people with ordinary needs. He wanted to make it what it had been once before, from 1940 to 1951: what Willy Brandt was to call *politikfahig* – willing and able to accept responsiblity. He fitted, in the words of his biographer, Philip Williams, into "the tradition of conscience and reform (that) has a strong appeal in a country which has hardly ever given a majority of votes to a Conservative Party."

The Labour Party that won the next two elections (in 1964 and 1966) was the party refashioned by Gaitskell and his supporters. It seemed to have become the natural party of government (the phrase was Harold Wilson's, the idea had been Gaitskell's). Gaitskellites, loosely defined, rose to increasingly high office – first George Brown, then Roy Jenkins and Anthony Crosland and, in the 1974-79 Labour Government, Shirley Williams and William Rodgers.

Yet it was never really their government. For all their prominence, which they owed more to their abilities than to camaraderie between themselves and their prime minister, they were outsiders, slightly suspect to an increasing number of MPs and rank-and-file members. What had tied them to Gaitskell was not so much policy affinity – which, as the Common Market episode showed, was by no means complete – but style, a vision of how politics should be conducted, a high-minded, rather intellectual, possibly slightly priggish approach in which you said what you meant, came clean with the electorate and worked for clear-cut decisions. In a very real sense, the death of Gaitskell orphaned them.

Their inheritance was also threatened from another quarter, to which they paid too little attention. The Liberal revival of which Gaitskell had warned began at Orpington in 1962; ominously, as much at Labour's expense as that of the Tories. There was talk of Lib-Lab pacts, both then and after the close result of the 1964 election, but it got little response. More significantly, the Liberal leader, Jo Grimond, launched his ideas for a realignment of the Left.

His argument was simple: that party divisions did not correspond with the divisions of opinion. There was no majority for socialism in Britain but there was a potential majority for a non-doctrinaire radical reformism, adherents of which were to be found in the Labour and Liberal parties and even among liberal Conservatives. He regarded the Gaitskellites' battle against Clause IV ideologues and trade union conservatism as doomed. If Gaitskell's orphans were looking for a godfather, they could have found him in Grimond.

In the 1970s, even more than the 1960s, voters were registering what was happening more quickly than many politicians. The slow move away from class politics, that both Gaitskell and Grimond had forecast, gathered pace. In February 1974 the Liberals polled nearly 20 per cent. One voter in four voted against a class party.

In 1972 Dick Taverne, a CDS veteran, had held Lincoln at a by-election against the official candidate of his left-wing constituency party. In the same year, Roy Jenkins resigned as Labour deputy leader over the conference decision to hold a referendum on Common Market membership. The referendum was a device to prevent a party split but all it did was to postpone one; 1972 was the year when the crack in the mould became visible.

What finally caused the orphans to pull out of the crumbling family home was a combination of circumstances; as before, the voters' and the politicians' priorities did not coincide. The Gang of Four and those who followed them left for reasons of policy and, above all, for reasons of organisation.

By the early 1980s, the Labour Party had become precisely what Gaitskell had warned against at Blackpool in 1959: "Small cliques of isolated, doctrine-ridden fanatics, out of touch with the main stream of the social life of our time." The purpose of the organisational reforms, agreed in 1981, which created the electoral college and brought in mandatory re-selection of sitting MPs, was to perpetuate this state of affairs. It was to end the autonomy of the parliamentary Labour Party, not only *de facto* but *de jure*.

What bound the new SDP together was support for British EEC membership, which did not interest the voters very much, and opposition to unilateralism, which did. As in 1960, defence policy was the acid test of being *politikfahig*. On economic policy, the signals were more confused. There was a sigh of relief at being rid of the union link. Beyond that, some of the SDP wanted a Labour Party Mark II – a better yesterday, as Ralf Dahrendorf, head of the London School of Economics, remarked unkindly; others, particularly Roy Jenkins, did not.

For many voters other factors mattered, especially the Labour Party's accelerating retreat from democracy. At Blackpool, Gaitskell had suggested one way of modernising Labour's appeal by "the protection of the individual against ham-handed and arrogant bureaucracy." Twenty years later Bryan Gould asked, in *Socialism and Freedom*: "Why...do my constituents not (in general) regard socialism as the path to their salvation?" and answered, *inter alia*: "It is the Labour Party which seems to say in effect, to a large proportion of the society, 'You are council tenants and that's how you stay' or 'You are trade union members and you damned well do what I tell you'."

The split in the Labour Party that Gaitskell had forecast did not re-align the Left. Many who may fairly be called Social Democrats stayed in the party, as politicians or voters. It sometimes looks as though the Kinnock leadership would like to turn Labour into an SDP Mark II. It remains to be seen if, given the union link, its chances are better than those Grimond gave the Gaitskellites.

The SDP in turn is divided, and was divided from the start, on its relations with the Liberals. Like Gaitskell, those round David Owen could not bring themselves to take the Liberals seriously. Ironically, it was the defence vote at the Liberals' 1986 Eastbourne assembly that confirmed their suspicions. And yet, on an objective view, David Steel is really a closet Social Democrat who admired Gaitskell enough to consider joining the Labour Party when a student.

Gaitskell was a child of his time, and some of what he thought and said now seems dated. The formative influences on him were the 1926 General Strike, the crushing of the workers' rising in Vienna in 1934, and Munich. From these he derived a contempt for both mindless militancy and pacifism. He did not anticipate the decline of trade union power and had more faith in the role of the state in the market place than anyone in either wing of the SDP, or even Bryan Gould or an E-registration Roy Hattersley. What remains intact is the intangible inheritance – his political mentality, the ability to observe social change, draw rational conclusions from it and, above all, to treat the voter as an adult.

His orphans survive, scattered and impotent, sheltering in three different leaking refuges. Realignment so far has changed the problem, not solved it. Unless the orphans can carry it further, that is what they will remain.

● *The author is Gladstone Professor of Government at Oxford and a Fellow of All Souls College.*

The Long View

When sense makes no sense

At first sight, a return to almost any system of managed exchange rates sounds like an appealing alternative to our present world of torrential capital flows...but John Plender has doubts

EXCHANGE rate agreements are a growth industry. What a shame about the short life cycle: the failure rate would be enough to make even a high-tech venture capitalist gasp for breath.

The Miyazawa yen-dollar accord at the end of 1986 lasted only a matter of weeks. The subsequent, more grandiose Louvre pact lasted months longer than some of the participants probably dared hope; but their reward for propping up a groggy dollar was a bill for more than $100 bn, a cold douche on Black Monday, and the prospect of another bill for anyone who dared repeat the trick.

Nonetheless, after the visit by Japan's new prime minister to Washington this week, we have a brave new yen-dollar accord; and the very turbulent conditions in the currency markets over the past three months have revived interest among economists (including Britain's Chancellor, Nigel Lawson) about a the possibility of a move back to managed exchange rates. Is this something that investors, businessmen and the ordinary citizen should welcome?

At first sight, a return to almost any system of managed exchange rates sounds like an appealing alternative to our present world of torrential capital flows. In the course of the present decade, we have seen momentous exchange rate adjustments that have devastated domestic industries and made long-range planning for investment in plant and machinery impossible. In this world of overshooting currencies and trade imbalances, it sounds like mere common sense to call for a system of rules.

But even if this were true – and there are grounds for caution as we shall see – the present time looks a singularly bad moment to contemplate such a move.

Consider the policy options of the United States in handling the trade deficit. First, dollar interest rates could be raised in an attempt to reactivate private capital flows to finance the deficit – a less than tempting option, given that it carries the risks of precipitating another stock market crash and of alienating voters in a presidential election year. In the absence of substantial private capital flows, the Americans can try to persuade the other Group of Seven countries to plug the financing gap. But after last year's Louvre debacle, their central banks are overloaded with devalued dollars and are unlikely to intervene on anything like a comparable scale.

In that case, the trade deficit will have to be cut back to a level at which some combination of central bank and private finance is forthcoming at less than penal interest rates. The obvious way to do it is through tighter fiscal policy: raising taxes or cutting public spending ultimately reduces the import bill. But we have already seen that the President and Congress are in no mood to confront the political cost inherent in such deflationary measures.

There is, of course, the oldest economic trick in the politicians' book: protection. Yet experience suggests that this is a very ineffective way to reduce trade imbalances and a most efficient way of precipitating trade wars.

At this point, the honest electioneering politician admits to paralysis and hands the job over to the markets. We have already seen how the stock market crash of '87 tried to squeeze resources out of the private sector by providing investors with an incentive to save more and consume less, which would respectively make it easier to finance the US budget deficit and cut imports. But nobody now expects the crash to bring about adequate adjustment to the deficit. Which brings us to the last resort: more dollar devaluation.

The joy of devaluation is that it might just conceivably take place without the accompanying trauma of crashing markets, rising interest rates or swingeing budget cuts. Provided the American economy has the capacity to produce more of what it has hitherto imported from foreigners, demand will actually expand. Better still, it makes the surplus countries take part in the adjustment by forcing them to cut interest rates. This prevents their currencies from appreciating to the point where their exports cease to be competitive. In short, the excessive supply of dollars that results from the US trade deficit is brought back into line with demand through the price mechanism. Q.E.D.

Note that all these possible responses bar the last involve deflating US domestic demand. The remedy that is not deflationary requires a floating exchange rate system. Looked at from the point of view of the investor, fixed exchange rates increase the risk of recession and of crashing markets around the world; floating rates increase the threat of inflation, as the declining dollar causes US import prices to rise and monetary policy elsewhere to ease, but reduces the threat of global recession – which is much better news.

There lies much of the rationale for what has been happening in the markets of late. The gyrations reflect the changing probability of inflation versus recession.

To put it another way, fixed rate systems favour creditor nations like West Germany and Japan, while floating rates help debtors like the US. Indeed, events since the original Plaza Accord of 1985 are a cumulative tribute to debtor power. The emergence of the United States as the world's biggest borrower might ultimately be incompatible with its role as custodian of the world's chief reserve currency. But until we find our way to a new monetary system, the US retains an awesome ability to inflict losses on its trading partners through currency and trade wars.

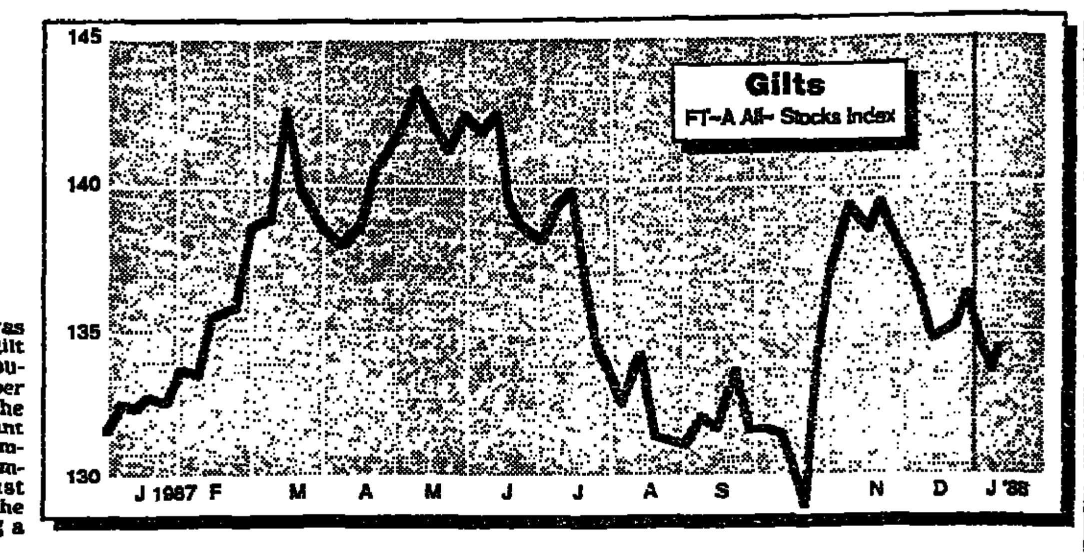
Indeed, the present US position is not unlike that of Britain's in 1931 when sterling came off the gold standard. The subsequent devaluation paved the way for one of the fastest growth rates in the world, behind a high wall of tariff barriers.

That is not to say that a move to fixed or managed exchange rates is, de facto, undesirable. The challenge is to come up with a workable system that eliminates the bias in favour of deflation. But that is a story for another day.

●CONTENTS●

MARKETS

D-Day supplies a crumb of comfort



FOR ONCE, it was better to arrive than to travel.

London dealers, battered by a grim weekend press, reached their desks with a sense of foreboding on Monday morning. Most commentators predicted a sharp downturn in belated response to Friday's 140-point plunge on Wall Street.

In the event, Monday was nothing worse than a grey start to a largely grey week – and certainly a far cry from the black events of mid-October. Hanging over the market was a pre-occupation with US developments – in particular, Friday's trade figures. In the face of that uncertainty, activity dwindled to a trickle. By Thursday, just 350m shares were traded – extremely thin, even in these post-crash days.

True, prices were heavily marked down when trading opened on Monday morning. But that said more about dealers' nerves than actual business: the initial 50-point drop in the FT 100-Share index was scored on a volume of under 100m trades. This deeper gloom, moreover, did not last long. Faced with a fairly tranquil dollar and an initial bounce-back as Wall Street got underway, Footsie pulled back to a 13.2-point loss on the day.

The next three sessions produced more of the same. If Wall Street showed signs of rallying, London took heart: a bout of transatlantic selling, London turned lacklustre. On the whole, the lacklustre trend won through. Footsie fell by 21, 5.8, and 10 points over Tuesday, Wednesday and Thursday respectively.

Friday, then, had become the market's D-Day. Predictions for the American trade deficit varied widely; anything from $10bn to $20bn was mooted. But, as the week wore on, market-watchers began to concur that something in the $14bn-$16bn range would be viewed as neutral, for London equity levels at least. If the deficit proved larger, reasoned pundits, pressure on the US to raise its interest rates would increase recessionary fears. If it turned out much smaller, the dollar might take heart, or at least stabilise.

London

In the event the news was, indeed, better, with the deficit running out at $13.2bn. By 3pm yesterday Footsie had recovered its sagging losses of the morning session and sped some 50 points higher. The US/Sterling exchange rate strengthened to $1.7765, compared with $1.807 at the end of the previous week, and although the initial enthusiasm dampened somewhat as afternoon wore on, Footsie still closed at 1,786.7, for a gain of 13.3 points on the week.

Friday's news, however, was only minimal comfort to the gilt market. The yield on high coupon longs stretched to 9.82 per cent by Wednesday night in the wake of a less than triumphant auction of £1bn of stock. Competitive bids for the medium-dated issue totalled just £1.07bn – barely covering the stock for sale, and suggesting a low level of retail demand.

Despite modest improvements on Friday, the market still appears to be discounting an eventual increase in base rates, worried that the authorities will find it neccessary to siphon off potential inflationary pressures at home. The major question seems to be when such action might come: to date, hands had been somewhat tied by reluctance to push sterling higher against a dodgy dollar.

Only on the takeover front did matters continue to bubble consistently. BAT Industries, once predominantly a tobacco group but now set on diversification, had the deal of the week with a $4.2bn bid for US property/casualty insurer, Farmers Group.

The bid was not a complete surprise in that BATs – which already takes in insurance subsidiaries Eagle Star and Allied Dunbar – has indicated for over a year that it wanted to push into the US retail financial services market. At first sight, however, greater exposure in the US (given the market's paranoia over dollar earnings) might not seem the most welcome move.

That said, the acquisition would (on 1986 figures) thin tobacco's contribution to trading profits from 50 to 44 per cent, and lift financial services from 19 to 30 per cent. At the offer price – $60 a Farmers share – analysts also see earnings enhancement in 1989. Overall, then, the market decided it liked the deal, marking BATs 15p higher on Wednesday at 435p. The minus point is the lack of agreement on the bid, and a worrying suspicion that BATs might be forced to go higher, particularly if rival bidders move in.

As for those takeovers already up and running, BP unveiled its offer document for Britoil to a rising expectation that Atlantic Richfield, the US oil company, might join the fray. On Thursday, Arco announced an increased stake in Britoil, now 23.73 per cent, with the shares purchased above the 450p cash alternative offered by BP. By Friday afternoon, speculation was still holding the shares around the 457p mark.

Matters at Dee Corporation, the food retailer on the receiving end of an unwanted £2bn bid from the much smaller Barker & Dobson, were rather more heated. As Dee continued to niggle at its predator's financing arrangements, B&D responded with a writ for an alleged libel, which it says was contained in a Dee press release. Meanwhile, speculators had fun and games on Thursday morning as Dee shares bounded 13p to 209p on rumours of rival bidders/higher terms. By lunchtime, Asda and Associated British Foods had ruled themselves out and the price slid back.

At the high street retailer, Burton, the scenario was all too familiar. Talk of a DTI inquiry into the group's affairs – in particular, into its successful bid battle for Debenhams back in 1985 - has haunted the group for over a year. On the morning of its annual meeting, the story broke: DTI inspectors have asked for information under section 447 of the Companies Act. That is scarcely unique - there are some 130 "447"inquiries a year - and Burton was happy to assure shareholders that there had been no suggestion of any criticism of its own directors. But the news did nothing for the share price, down 11p at 224p on the day.

Nikki Tait

Rowe Evans stake in Lendu

Following the announcement earlier this week that **Chillington Corporation**, overseas trading, plantation and engineering group, has increased its stake in Lendu, rubber production and investment group, from 19.64 to 20.47 per cent, **Rowe Evans Investments** remains interested in 35.42 per cent.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in in pence unless otherwise indicated				
Abaco Invs.‡	74	75	54	194.35	Brit. & Comm.
Anchor Chems.‡	638*	638	615	25.83	Air Products
Birmid Qualcast	300*	309	313	216.82	Blue Circle
Brit.Caledonian‡	£12.15*	–	–	250.00	Brit. Airways
Britoil	450*	457	294	2.27bn.	BP
Burgess Group	278	279	264	105.83	RHP Group
Chase Property	265*	258	255†	198.44	Trafalgar House
Dee Corpn.	217	204½	172	1.92bn.	Barker & Dobson
Eucalyptus Pulp‡	620§	625	425	115.44	Ibstock Johnsen
Freemans	315*§	309	165	474.00	Sears
Kingsley & Forest	65	65	51	19.55	Casket
M.K. Electric‡	550*§	690	550	206.49	RTZ
MS Intl.	94	113	83	25.10	Dobson Park
Minet Hldgs.	475*§	463	289	400.00	St. Paul Co's
Tod	260*§	255	220	29.64	Beazer (C.H.)
Tricentrol	145*§	163	99	134.66	ELF Aquitaine
Victor Products	183§	178	167	13.99	Northern Eng.

*All cash offer.††Cash alternative. Partial bid. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 15/1/88. †At suspension. Shares and cash. ♦Releated to NAV to be determined. ¶Loss stock. ♦Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Barr AG	Nov	5,320	(4,475)	57.1	(46.7)	13.0	(11.0)
Berkeley Govett	Sept	13,290	(6,980)	-	(-)	-	(-)
Body Shop	Sept	5,990	(3,450)	18.6	(10.3)	3.0	(-)
Countryside Prop	Sept	11,120	(4,150)	21.6	(10.5)	1.9	(1.6)
Cranbrook Elec	Sept	209	(361 L)	-	(-)	0.5	(-)
Credit factoring	Sept	4,300	(3,440)	-	(-)	-	(-)
Dewhurst	Sept	590	(352)	5.0	(3.5)	1.4	(1.2)
Greenwich Res	Sept	788	(302)	3.6	(1.4)	-	(-)
Kunick	Sept	3,430	(2,520)	-	(-)	-	(-)
Ldon & Clydes	Sept	1,050	(1,740)	9.7	(11.1)	4.0	(4.0)
Ldon Scott Bnk	Oct	2,480	(2,080)	4.0	(3.3)	1.8	(1.5)
Lowe Robert H	Oct	851	(528)	17.5	(16.0)	2.8	(1.7)
Neotronics	Sept	2,580	(1,210)	7.7	(3.5)	1.2	(-)
Oakwood	Sept	247 L	(155)	-	(4.2)	1.0	(4.0)
PWS Holdings	Sept	7,220	(6,140)	23.8	(21.4)	10.5	(-)
RCO Holdings	Oct	1,400	(1,330)	8.7	(8.2)	6.0	(-)
Sthern Business	Sept	4,100	(1,720)	21.4	(13.3)	4.6	(3.5)
Starge	Sept	12,600	(8,510)	20.1	(14.3)	8.5	(-)
TV South	Oct	21,800	(14,400)	33.7	(28.6)	12.5	(10.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Astra Holdings	Sept	2,620	(129)	0.3	(-)
Banks Sid C	Oct	1,260	(1,400)	2.1	(2.0)
Barbour Index	Oct	1,910	(1,560)	2.0	(-)
Bespak	Oct	1,430	(759)	2.0	(1.7)
Black Peter	Oct	3,900	(3,200)	0.5	(0.4)
CAP Group	Oct	3,370	(1,450)	7.2	(6.0)
Carclo Engineering	Sept	3,590	(1,850)	1.1	(0.9)
Cauldon	Sept✻	100 L	(-)	-	(-)
Courts (Furnishers)	Sept	3,700	(1,920)	2.0	(1.7)
Cray Electronics	Oct	4,100	(3,210)	0.8	(0.6)
Dixons	Nov	49,500	(38,610)	1.3	(1.2)
Ellis & Everard	Oct	4,100	(3,350)	1.9	(1.7)
First Security	Oct	1,030	(793)	1.7	(1.5)
Gnome Photo	Nov	248	(230)	-	(-)
Hewden Group	Oct	3,600	(1,510)	1.3	(1.3)
Markheath Sec	Sept	1,380	(470 L)	-	(-)
Multitone Elec	Sept	146 L	(235 L)	-	(-)
Nobo Group	Oct	1,090	(830)	1.8	(-)
Northumbrian Fine	Oct	336	(259)	0.7	(-)
Parkfield	Oct	4,630	(2,940)	2.0	(1.0)
Reliance Security	Oct	884	(792)	1.5	(-)
Ross Consumer	Sept	176	(138)	1.2	(-)
Stead & Simpson	Sept	2,800	(2,410)	1.4	(1.2)
Symonds Engin	Sept	86	(79)	0.3	(0.3)
Thorpac	Sept	72	(93)	0.3	(0.3)
Tomkins FH	Oct	16,800	(3,190)	1.3	(1.0)
Trent Hldgs	Sept	400	(263)	0.5	(0.46)
West Industries	Sept	218	(226)	0.2	(0.2)
Westpool Invest	Oct	2,150	(1,960)	0.3	(0.3)
Wyko Group	Oct	763	(904)	1.1	(1.1)
Zetters Group	Sept	283	(228)	1.5	(1.4)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.✻ Figures for three months.

RIGHTS ISSUES

Cambium Venture Capital plans to raise £3.1m via a three-for-one rights issue.
Cooper Frederick are to raise £7.4m via a one-for-two rights issue of 10.58m convertible preference shares.
ML Holdings are to raise £12.8m via a one-for-three rights issue.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Associated Henriques are joining the main market via a placing of 2.75m shares at 71.5p.
Globe Investment Trust are to seek a listing on the Tokyo Stock Exchange at the start of next month.
TGI are to raise £8.5m via a main market placing of 6.54m shares at 130p.
Verson International are to join the main market later this month.

Coming to terms with reality

THE TRICKLE of issues so far this year does not suggest that the new issue market is about to dry up, but it does imply that the world has changed.

Glorious premiums and soaring ratings on new USM issues look like being things of the past. To some observers, these were merely indications of too much froth on the market, especially in the summer.

It is good news for the investor because the emphasis this year will be on quality. Several fund managers have had their fingers burnt on the USM during the last quarter of 1987, when the USM index fell by 39 per cent after the October market crash, compared with the FT All-Share's fall of 26 per cent. The shock has made them more choosy.

However, it is less good news for the short-term punter. Last summer, premiums reached incredible heights. The most spectacular debut was that of Glentree, the residential estate agents, with a premium of 160 per cent above the issue price, followed by Parkway, the WCRS photographic services spinoff, with 114 per cent.

For the company thinking of a listing on the USM, the attractions are a high degree of visibility, and, in the past easy access to funds for making acquisitions - often a significant part of an USM company's growth. These have faded since the crash. As Mr John Alexander, the manager of Touche Remnant's small companies fund argues; "Because share prices have fallen so much, people have to part with substantially more of their company to raise a similar amount."

This means, he says, that there will be a much greater hesitation on the part of private companies to submit themselves to the vagaries of the stock market. "A lot of those people hate taking the train to London, they haven't enjoyed the listing and they find it uncomfortable having to report to outside shareholders twice a year," he adds.

The likely result may be an increase in the sale of private companies to other management rather than an independent valuation on the USM. It is, after all, much cheaper. The directors of Blazer decided last year, following the crash, that they would rather go under the umbrella of a big company, Storehouse, continuing themselves to manage the business, than proceed with a listing.

As many as 15 new issues were held on ice after October 19. Of these, only two proceeded - on a lower p/e. The Company of Designers reduced its issue price from 145p to 100p. The first, unknowing casualty was the insurance brokers Lloyd Thompson, whose debut was destined for the day of the gales on October 16. As the city was shut, the issue was postponed until Black Monday. Its original share price and premium held up for seven days before succumbing.

Junior Markets

In the absence of the crash, there would still have been fewer USM issues in 1987 than in any year since 1982. New USM issues last year raised a total of £191m, according to Andrew Holland at County Securities. The figure for 1986 was nearly 25 per cent higher, although the year saw four unusually large issues - Borland, TV-AM, Monotype and Mrs Fields, which collectively raised £84.7m.

Last year, as much as £744m was raised by companies with an existing USM quote. "This suggests that the corporate houses may have been more busy with existing customers," comments Mr Holland, "or that the emphasis was on bringing higher quality companies."

The message for the company thinking of a listing is that placing power - the ability of the sponsor to persuade institutions to take up shares - is more important than ever. It is also not to be too greedy. The company which came to the market on 13 times earnings last year is unlikely to be worth more than 10 in 1988. This year, sponsors are likely to be more cautious, particularly when underwriting their own issues.

Fears that increased selectivity on the part of the larger, established houses will merely encourage lower quality issues to go to less reputable houses seem wide of the mark. Many of the smaller firms which used to rely on their private client base to buy the house issues are now finding those individuals are the most scarred by the crash, and the most reluctant to invest.

One of the larger city conglomerates which was expected to play a significant part in the small companies market was County Securities. Prior to Big Bang, County Bank's corporate finance team had a strong name in smaller companies, as did the firms with which it merged - Bisgood the jobbers and Fielding Newson Smith, the brokers.

However, County appears to have concentrated more on some of its larger companies, although some like Blue Arrow have been nurtured from the USM. County's proposed merger with broking house Wood Mackenzie aroused interest as Wood Mackenzie poached most of the leading Capel-Cure Myers small company sales team and analysts in September.

This week, County's USM strategy was coming under scrutiny following the resignation of Mr Brian Winterflood, a director of County Natwest, who is one of London's leading equity market makers and a founder of the USM.

Asked whether his departure might mean less interest in the USM by County, Mr Peter Dale, managing director of County Natwest Securities, said, "Absolutely not. We have a team of 18 and we intend to keep our position as leaders."

Heather Farmbrough

LAST WEEK'S CHANGES

The following table shows the change in the FT 30-share index and its constituents over the past week. The FT-SE index is also shown.

	Price yesterday	change since 8/1	1987/8 High	1987/8 Low		Price yesterday	change since 8/1	1987/8 High	1987/8 Low
FT Ord Ind	1436.7	+12.2	1926.2	1232.0	Grand Met	449	+7	605	348
ASDA-MFI	175	+8	226½	142½	GKN	315	+8	434	235
Allied-Lyons	343	n/c	471	290	Guinness	308	+15	389	227
BICC	336	+3	436	269	Hanson	141	+5	195½	116
BOC	416	+9	559	300	Hawker Sidd	462	-3	638	377
BTR	267	-5	374	228	ICI	£11⅝	-¼	£16½	937
Beecham	469	-2½	589	345	Lucas Ind	596	+16	795	465
Blue Circle Inds	427	-8	579	289	Marks & S	181	+3	280½	160
Boots	255	+8	329½	205	NatWest Bank	598	n/c	794	498
British Gas	137	-5	200	106	P & O	544	+12	776	425
BP	257	-5	416	234	Plessey	159	-1	258	127
British Telecom	231	+6½	337	203	Royal Insce	488	+7	595	345
Cad Schweppes	261	+7	291	185	Tate & Lyle	787	-17	944	560
Courtaulds	346	-2	535	302	Thorn EMI	572	+14	830	436
GEC	156	-9	251	148½	Trusthouse	225	+2	286	171
Glaxo	£10⅝	+¾	£18½	961	FT-SE 100	1787.6	+14.2	2443.4	1565.2

The end of an unhappy affair

SHAREHOLDERS in **ASDA**, the supermarkets group, will doubtless let out a collective sigh of relief on Monday when the company announces its last set of results to include a contribution from MFI, the furniture group.

MFI has struggled in the two years since it joined Asda and in the first six months of this year its profitability is thought to have declined. In fairness the half year was a period of hectic change, both in marketing and the product mix, but few at Asda will be sad that the marriage has ended following a management buyout of MFI.

John Hardman: new man at the helm of Asda

Mr John Hardman, newly-installed Asda chairman, is expected to reveal that group profits have risen to about £95m, up from £86.1m. This will have been made possible by a 25 per cent or so improvement in the supermarkets division, where a revamping of stores and a move into higher value added products are beginning to show through.

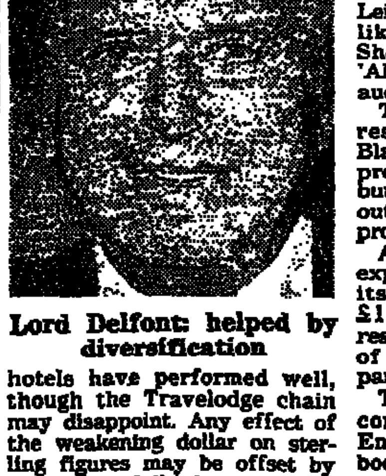
Mr Rocco Forte is expected to announce a sharp rise in **TRUSTHOUSE FORTE'S** pre-tax profits for the year to October 31 on Monday, indicating a recovery from the traumas of 1986 for the UK tourist trade.

Britain's largest hotel group looks like making between £165m and £175m pre-tax against £136m in the previous year. Analysts anticipate an increase in the catering and UK hotel sectors of the group.

Results Due

Official government figures for the quarter to October showed that overseas visitors to the UK were up by 15 per cent. The large majority of these were American, suggesting that the weakening dollar has not as yet affected UK trade.

The group's continental operations, especially in Paris, have had another difficult year. In the US, THF's upmarket hotels have performed well, though the Travelodge chain may disappoint. Any effect of the weakening dollar on sterling figures may be offset by the group's dollar borrowings.



Lord Delfont: helped by diversification

Popular capitalism, fuelled by a bull market and the Government's privatisation bonanaza, can only have helped M & G in its last financial year, which ended three comfortable weeks away from Black Monday.

With the best-known name in an industry where success depends on street level recognition, UK's largest independent retail fund manager reports its figures for the year to September 30 on Thursday. Analysts' forecasts for pre-tax profits are in the range of £20m to £24m, a substantial increase on the £15.5m achieved in 1985-86.

On Thursday, **GESTETNER HOLDINGS**, the office equipment group, is expected to report pre-tax profits of £19m (against £10.6m) for the year to October, its first under the management control of AFP Investment Corporation.

This result would reflect a £9.5m contribution from the second half, traditionally the slacker period. The effect of currency translation is expected to be broadly neutral, with the weaker dollar helping to ameliorate continuing losses in the US.

Gestetner's new Australian masters so far have not allowed post-crash uncertainties at home, primarily concerning AFP's options over shares in Elders IXL, to distract them from the cost-cutting task at the formerly family-controlled company. The City will be looking, however, for guidance about how quickly Gestetner can add new product lines, primarily by acquisition, which was the rationale for the AFP rescue.

FIRST LEISURE, Lord Delfont's resort, entertainment and sports group, looks like announcing pre-tax profits on Wednesday of at least £15.5m for the year to October 31.

The group's diversification into areas with a less seasonal bias seems to have paid off, with the disco and sports side of the company expected to contribute good results. First Leisure's theatre interests look like doing better than ever. Shows like Chess and 'Allo 'Allo have played to capacity audiences nearly all year.

The company's resorts and restaurants, which include Blackpool Tower and piers, will probably show solid growth, but the poor summer has ruled out the chance of spectacular profits.

ANGLIA TELEVISION is expected to show pre-tax profits of between £11m and £11.5m when it reports its results for the year to the end of October on Monday, compared with £8.5m last time.

The independent television contractor for the east of England, Anglia looks like boosting its net advertising revenue for the year to about £78.5m, a 14 per cent increase on last year's figure and ahead of the industry's 13.2 per cent rise.

Anglia covers the fastest growing, most affluent area outside London and the company has shown a steady profits increase for a number of years now.

Both UK and overseas programme sales are expected to show an increase, following higher programme spend.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 27%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	2.50	2.52	1.88	1.37	monthly	1	-	0-7
High interest cheque	4.80	4.91	3.62	2.63	monthly	1	1,000-4,999	0
High interest cheque	5.20	5.33	3.92	2.85	monthly	1	5,000-9,999	0
High interest cheque	5.50	5.64	4.14	3.01	monthly	1	10,000-49,999	0
High interest cheque	6.00	6.17	4.52	3.29	monthly	1	50,000 minimum	0
BUILDING SOCIETY†								
Ordinary share	4.00	4.04	3.04	2.21	half-yearly	1	1-250,000	0
High interest access	5.75	5.75	4.33	3.15	yearly	1	500 minimum	0
High interest access	6.00	6.00	4.52	3.29	yearly	1	2,000 minimum	0
High interest access	6.50	6.50	4.90	3.56	yearly	1	5,000 minimum	0
High interest access	6.75	6.75	5.09	3.70	yearly	1	10,000 minimum	0
90-day	6.75	6.86	5.17	3.76	half yearly	1	500-9,999	90
90-day	7.00	7.12	5.36	3.90	half yearly	1	10,000-24,999	90
90-day	7.25	7.38	5.56	4.04	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.00	7.30	5.50	4.00	yearly	2	5-100,000	30
Income bonds	10.50	8.04	6.06	4.41	monthly	2	2,000-100,000	90
Deposit bond	10.50	7.67	5.78	4.20	yearly	2	100-100,000	90
33rd issueΦ	7.00	7.00	7.00	7.00	not applica	3	25-1,000	8
Yearly plan	7.00	7.00	7.00	7.00	not applica	3	20-200/month	14
General extension	6.51	6.51	6.51	6.51	not applic.	3	-	8
MONEY MARKET ACCOUNTS								
Schroder Wagg	5.06	5.18	3.90	2.84	monthly	1	2,500 minimum	0
Provincial Trust	6.21	6.39	4.81	3.50	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCK§								
5pc Treasury 1986-89	7.80	6.41	5.48	4.71	half yearly	4	-	0
8pc Treasury 1992	9.31	7.09	5.62	4.39	half yearly	4	-	0
10.25pc Exchequer 1995	9.85	7.12	5.30	5.18	half yearly	4	-	0
3pc Treasury 1990	7.35	6.46	5.86	5.36	half yearly	4	-	0
3pc Treasury 1992	7.48	6.93	6.56	6.26	half yearly	4	-	0
Index-linked 2pc¶	7.51	6.95	6.59	6.28	half yearly	2/4	-	0

* Lloyds Bank.†Halifax 90-day; immediate access for balances over £5,000.Φ Special facility for extra £5,000 §Source:Phillips and Drew. ¶Assumes 4.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Allied Textile	Wednesday	3.0	5.0	3.4
Anglia Television	Tuesday	-	11.3	-
Blick Group	Tuesday	-	2.0	1.6
Brooke Tool Eng	Monday	0.6	0.8	0.7
Burdens Invest	Monday	1.2	3.5	1.5
Colourvision	Thursday	-	-	-
Crown Television Products	Wednesday	1.0	2.4	-
Denmans Electrical	Thursday	1.3	2.6	1.4
Derby Trust	Wednesday	4.3	4.9	4.5
Electronic Machine	Thursday	-	-	0.3
Eurotherm Int'l	Tuesday	1.5	3.5	1.7
Evode	Monday	1.0	2.8	1.2
First Leisure	Wednesday	2.5	5.0	3.0
Gestetner	Thursday	0.5	1.0	0.5
Greenfriar Invest	Friday	-	2.0	-
Hill & Smith	Thursday	1.1	2.4	-
Lookers	Wednesday	2.0	4.4	2.6
LPA Industries	Tuesday	1.4	1.6	-
M&G Group	Thursday	2.0	3.2	3.0
Microgen	Wednesday	1.0	3.0	1.5
Raeburn Invest Tst	Thursday	5.0	8.5	7.0
St Andrews Trust	Thursday	1.2	2.2	1.5
Soundtracs	Tuesday	-	1.2	-
Spice	Wednesday	0.3	1.9	1.2
Trusthouse Forte	Monday	1.3	4.7	1.5
Windsor Securities	Tuesday	0.2	0.5	0.3
INTERIM DIVIDENDS				
Abingworth	Thursday	-	1.2	-
Acatos	Tuesday	-	-	-
Asda-MFI	Monday	1.4	2.1	-
Beales John	Thursday	1.5	4.0	-
Cantors	Friday	0.5	1.0	-
Clark Matthew	Tuesday	3.5	5.5	-
Clarke Hooper	Tuesday	1.0	1.5	-
Cook D.C.	Monday	-	-	-
Coxmore	Thursday	1.2	1.7	-
Delepak Foods	Monday	0.9	1.8	-
Electron House	Tuesday	1.5	2.1	-
Fleming Tech Invest Tst	Wednesday	0.8	1.5	-
Hampson Industries	Tuesday	0.3	0.8	-
Harmony Leisure	Monday	-	0.1	-
Harrison Industries	Monday	1.8	3.9	-
Heath Samuel	Thursday	-	16.5	-
Kenyon Securities	Wednesday	2.6	4.0	-
Kewill Systems	Wednesday	-	1.5	-
Newmark Louis	Thursday	5.0	9.0	-
Nordic Invest Tst	Thursday	-	0.2	-
Real Time Control	Monday	-	2.0	-
Smith David S	Monday	-	2.8	-
Stanley Leisure	Wednesday	1.3	1.7	-
Wood SW	Monday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

Adrenalin surges as Armageddon is avoided

IT CAME like a last-minute reprieve to a condemned man on Death Row, and not just to the intended victim; the awaiting crowds also hailed the unexpected news - and rushed for cover.

The November US merchandise trade deficit flashed onto London screens at an unexpected low of $13.2bn yesterday and the FT-SE 100 index (Footsie) reversed a decline to go an immediate 20 points ahead. The dollar surged four pfennigs against the German mark and hit Y130. The week of waiting had, it seemed, been worth all the agony; the way-out worst estimates were proved to be just that, and not a few market-makers were caught short.

The reaction was the same in Paris and Frankfurt and on any other European market open for business, official or after-hours. There was still an hour to go before Wall Street opened but, in Friday afternoon's euphoria, no one doubted the outcome and no one was disappointed: the first New York numbers were good and the markets' adrenalin responded to short-term analysis.

News that US producer prices fell 0.3 per cent in December, after an unchanged November, was the final icing to give an immediate boost to the US bond market, particularly at the longer end. It was the same story in the futures markets, leaving analysts to ponder what all the week's agonising had been about.

The week had started with fears of a real Armageddon. Weekend reflection on last Friday's 140-point collapse on Wall Street – its third-largest

World Markets

fall in history – left raw nerves on trading floors around the world on Monday morning. Fears of another Black Monday saw market-makers widening spreads and waiting.

Tokyo moved first and downwards, declines leading advances by three to one in the first fall in five trading days. In London, the Footsie was down an estimated 50 points even before official trading began. The doom scenario of many weekend commentators and analysts appeared to be unfolding.

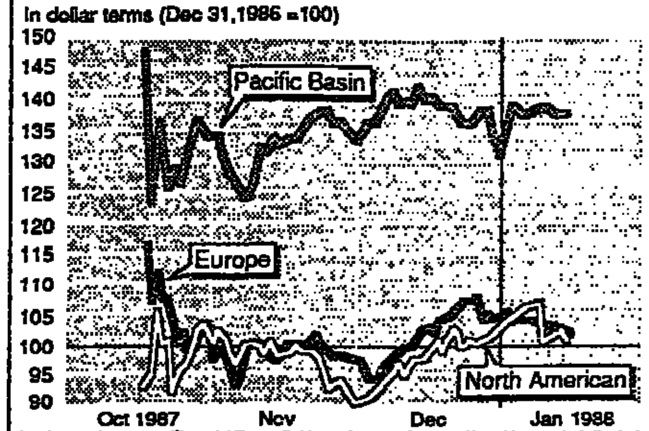
But it never came. Buyers stayed on the sidelines in the main but there was no rush of sellers, either. Dealing spreads narrowed and London closed with a net loss on the day of just over 13 Footsie points. The story was much the same throughout Europe, most markets ending above their day's low.

Wall Street itself opened nervously in relatively heavy two-way trading, but a cautious rally before the close saw the main Dow Jones index regain a quarter of Friday's big losses. Armageddon avoided, or merely postponed?

The short focus moved immediately to the US trade figures and the week until yesterday saw virtually every market around the world marking time. Dealers with little business on hand joined in the great game of the week – guesstimating the figures. A kind of mania took hold, with estimates varying between $12bn and $22bn, and one enterprising London agency actually opened a book to call the odds. The short view had no time for fundamentals.

By Thursday, Tokyo at least seemed to have had enough. "People were fed up with talking about the trade figures and decided to get on with the market," said Stephen Codrington of Jardine Fleming, as the Nikkei average gained 278 points (1.3 per cent) with rises leading falls by 2.5 to 1 in moderately heavy trading. But then, it was Tokyo's last chance before the weekend; the market was closed yesterday for a national holiday, leaving an uncertain London without its usual morning fix. The real fizz came with the trade figures.

FT–A World Indices
In dollar terms (Dec 31,1986 =100)



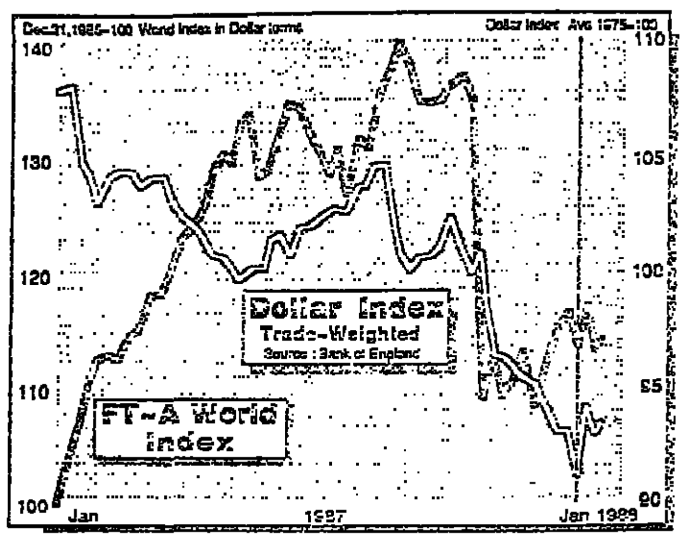
Jointly compiled by the Financial Times, Goldman,Sachs & Co. and Wood Mackenzie & Co. Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

Not everyone was taking the short view, though. The second full trading week of the year brought its usual crop of reviews of 1987 and the October disaster, but also some cautious previews. There are, of course, no bulls around but the bears are becoming relative. Sobriety induced by the October crash has put a high premium on caution, and the collective wisdom remains that investors ignore risk and fundamental valuation criteria at their peril.

Yet the New Year tendency is to put some cautious emphasis on the fact that the great shakeout has left values more reasonable. Some analysts are becoming more positive, and many London-based market watchers are advising an increase of equity exposure in Europe, particularly in France and West Germany – two markets which failed to join in the euphoria of the first nine months of 1987 when most markets were taking off into giddy heights.

Others are raising questions over economic management in Germany. The economy there ground to a virtual halt in the last quarter of 1987, provisional figures showing an increase in GNP of 0.5 per cent to zero. Ahead of yesterday's US trade figures, the criticism was that the Germans were not playing their global part (with the Japanese) in correcting world trading imbalances.

The Germans, for their part, argue that the estimated 1.7 per cent growth in output last year was due to domestic consumption, and point to the fact that export growth has been stagnant. And while one swallow does not make a summer, it is just possible that the better-than-expected US trade figures may take some of the pressure off the Germans.



Certainly, German market analysts are becoming slightly more optimistic. Deutsche Bank's Ernst Drayss sees two positive factors at work: "The stock market is oversold and the dollar is strengthening...most (German) negative data has already been discounted by the market." Foreign investors are none too sure, but a more stable dollar after the November trade figures could change sentiment.

Analysts this weekend will focus less on an immediate Armageddon but nonetheless on some important market-sensitive questions. Are the November figures a one-off – the best since last April – or could the December outturn bring more bad news? Is the dollar about to bottom out? Is Tokyo overbought, and what about a mini-recession in the US? But then, questions drive markets almost as much as answers.

Dominick Coyle

Traders emerge from hiding

THE MONTHLY trade figures may or may not show a true picture of US trading relationships but Wall Street does not mind either way. The figures may be six weeks late, in nominal dollars and not adjusted for the time of year, but they move markets. Wall Street makes money in moving markets.

For the past nine months, the monthly US trade report has come to dominate world stock, bond and foreign exchange markets. It was the big deficit figures released in mid-March, mid-August, mid-October and mid-December that sent the financial markets into a spin, and the lower figure in November that prompted a small rally. But the market's reaction to this week's figure (which covers November) outdoes everything.

Even before the markets opened last Monday, traders were so petrified of what the November trade report would bring that they were planning to spend the week in hiding. There were no buyers around. The dollar, which was riding high as the result of the Central Bank's New Year intervention, drifted downwards all week, shedding a couple of yen and one pfennig. Bonds were a bit weaker.

The stock market was a dreary place. Despite the 140-point fall two Fridays ago, there was no bounce in the market. Volume hovered around 150m shares a day, which has

Wall Street

not been a respectable business level for months. There were whispers of a trade deficit even higher than the $17.6bn for October that so demoralised everybody half-way through last month. Bolder spirits said the central banks would never have intervened to support the dollar without some certainty that their work would not be laid waste by a bad trade figure. But nobody was prepared to bet on it.

In this thin market, the big swings brought by programme trading stuck out all the more and irritated even professional fund managers. After Wednesday's performance, when computerised arbitrage between the stock and futures markets drove stocks down sharply in the first hour, up again in the day and down in the last half-hour, Wall Street was well and truly fed up. The New York Stock Exchange introduced an experimental limit on programme trading on Thursday which runs until next Friday. Some fund managers would like the experiment to go on longer – like, forever.

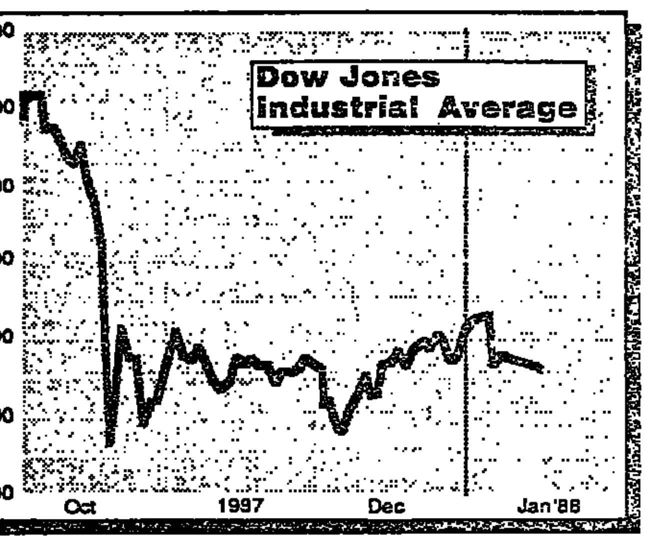
The trade figures duly flashed up on Friday morning, and they were wonderful. The trade deficit was just $13.22bn, thelowest figure since April and far lower than the $15-16bn which was Wall Street's middle estimate. Exports were up a handy 9.4 per cent while imports fell 6 per cent.

The pent-up markets loved the figures. In the first half-hour of New York trading, the dollar rose no fewer than Y7 and four German pfennigs; long-maturity bonds rose 1.5 points; and the stock market soared 55 points on the Dow Jones Industrial Average. Even by recent standards, this was quite a dramatic reaction.

But was it the turning-point for US trade and the financial markets? Is US industry so competitive, and are US assets so cheap, that the dollar can now stabilise? Has the threat of rising interest rates gone away? Will export earnings soar and the stock market rise to reflect them? Will foreign companies pour into the stock market to buy up cheap US companies for their production facilities and market share?

All things are possible, but the bull case still looks wildly optimistic on the basis simply of trade figures. The November figure was $2bn smaller than the market's forecast – but then, the October deficit was $2bn higher than expected. Someone standing back from the monthly figures would see a deficit hovering about $15bn since last summer. Who is to say that December's trade deficit might not be there, or worse?

Moreover, the stock market has a lot of things to worry about. If Wall Street is irritated by the programme traders, retail investors are scared. The sickening 140-point fall on the Dow two Fridays ago was not a great advertisement for the stock market as a home for savings. This week has shown that, without new sources of funds, the trend of the market is down.



The stock market needs a US economy that is neither too strong nor too weak, and that is a tall order. Excessive strength carries the threat of higher interest rates, which will choke off any progress in stocks. But there also are worrying signs of weak demand in the economy.

Wall Street has also become anxious about business spending, and last week's profit figures from Digital Equipment, which supplies computers to small and medium sized companies, became a sort of touchstone of stock market confidence. Digital fell $7 7/8 to $124 3/4 on Tuesday as the market decided to play safe and sold off the stock in preparation for Wednesday's results.

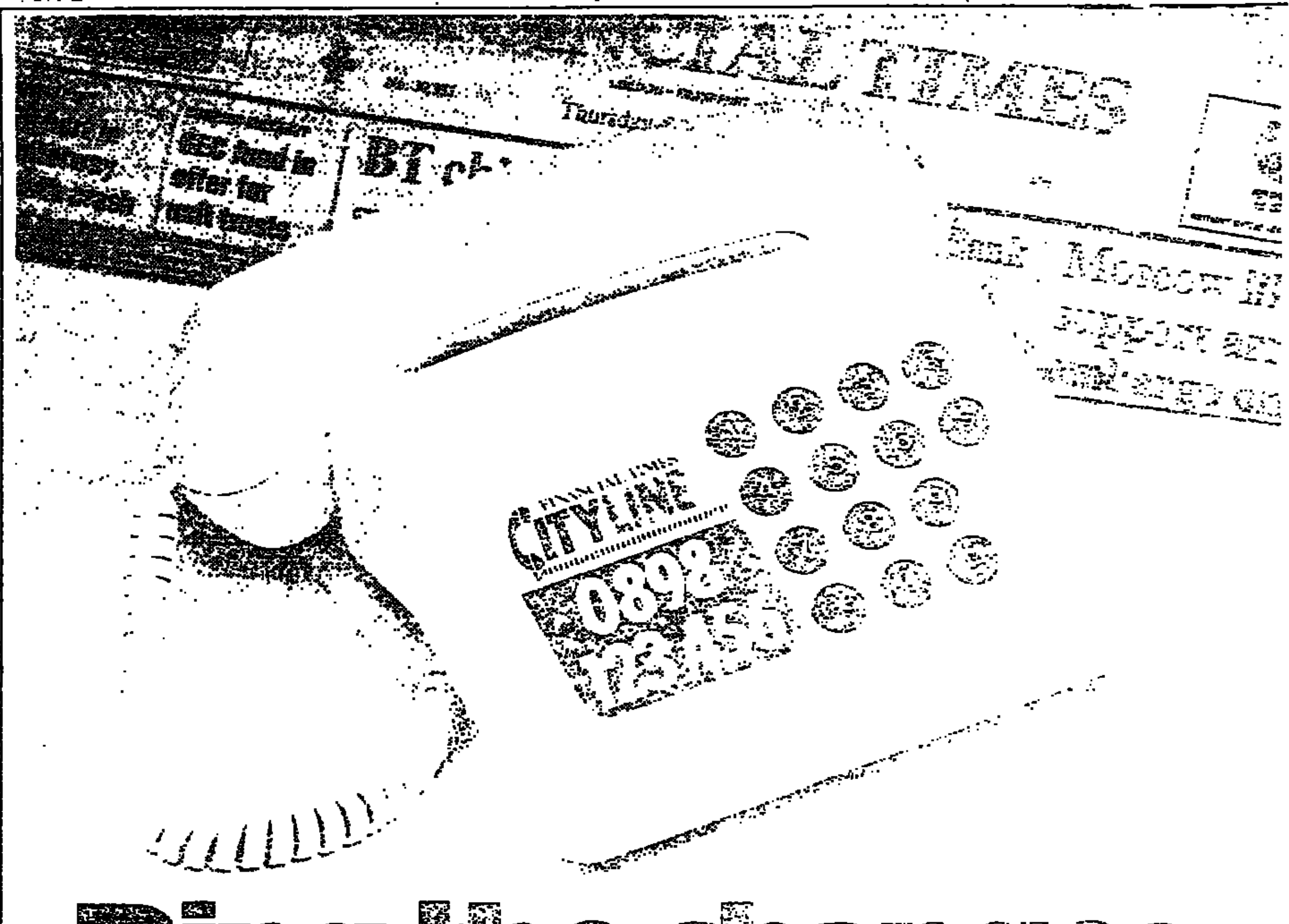
As it turned out, Digital's revenues and earnings were up 22 per cent in its second quarter to December, but the group said it would be cautious about investment in the current six months. The stock shed a further $5 3/8 on Wednesday and Thursday, before stabilising on Friday.

The best news of the week was a genuine large-scale takeover bid, and from a foreign (or quasi-foreign) buyer at that. The $4.2bn offer by BAT Industries, a British company with American roots, for Farmers Group added speculative interest to the whole property/casualty insurance sector. Farmers itself rose $11 1/4 to $54 1/4 in response to Wednesday's offer.

The offer has given new heart to Wall Street's risk arbitrageurs because it is the second genuine takeover bid from a foreign company this year, after Hoffmann-La Roche's $4.2bn offer for Sterling Drug. Throw in Texaco and A. H. Robins, two bankrupt companies with strong takeover possibilities, and the arbs have a prospect of quite a good living.

James Buchan

Monday	1945.13	+ 38.82
Tuesday	1928.55	– 16.58
Wednesday	1924.73	– 03.82
Thursday	1916.11	- 08.62
Friday		



Although it's early days yet, amateurs and experts alike already are running hard in the FT's two big races

Still time to enter

FT READERS (GREAT INVESTMENT) RACE

Portfolio of five shares chosen from FT-SE 100 under	Listed number of share from FT-SE as shown in accompanying table				
	Estimate of FT-SE 100 Index at				
Entry number (Do not use)	March 31,1988	June 30,1988	Sept. 30,1988	Dec. 9,1988	
Name	Address				

THE NINE teams of professional fund managers are now up and running in the Great Investment Race for charity. But you still have time to enter the FT Readers' Race to see if you can beat the experts at forecasting stock market trends and compiling a portfolio of shares that will yield the best return during the next 11 months.

You also have a chance to win £5,000 worth of Holborn unit trusts donated by Prudential/Holborn, sponsor of the race, as well as the quarterly prizes given by the Financial Times inits centennial year.

The only costs involved are sending in the completed entry form along with a cheque or postal order for £10 made out to Charity Projects, which will use your contribution to help charities for young people who are disabled, homeless, or suffer from drink or drug abuse problems.

Charity Projects has no overhead costs since it is covered by various sponsors, so contributions go entirely to helping charities which do not have the resources to finance fund-raising activities.

You can send in as many entries as you like providing each one is accompanied by the £10 payment to Charity Projects.

For each entry, you are assigned a "paper" sum of £55,000 – the same as given to teams in the Great Investment Race – which you have to invest in tranches of £11,000 each in five shares selected from the accompanying table of companies in the FT-SE 100 index.

In the top five boxes, put the numbers shown in the list of the five companies you think will provide the best return by December 9 this year, including dividends as well as capital gains. Then, in the four boxes below, put your estimates of the likely level of the FT-SE 100 index on the dates shown.

These estimates will be used as tie-breakers for the annual and quarterly prizes in case readers choose the same portfolio of five shares.

This year, the Weekend FT will give quarterly reports on progress in the Readers' Race from the records kept by the WM Company, which is monitoring it.

A number of assumptions are made to take account of possible developments that might affect your choices:

● If there is a rights issue, entrants will be assumed to have sold a proportion of their rights to buy the maximum possible number of shares in the company;

● When one of the companies you have selected is subject to a take-over bid, the entrant is assumed to have voted on accepting or rejecting the bid in line with the majority of the shareholders.

After filling in your name and address, post the entry form together with accompanying cheque or postal order to the Financial Times, Bracken House, Cannon Street, London EC4P 4BY. Please ensure that the envelope is marked "Great Investment Race."

Receipts or acknowledgments of individual entries cannot be provided because of the volume involved. However, you can assume that once your cheque has been cashed by Charity Projects, you are entered in the Readers' Race.

Closing date for all entries is January 31 but your contributions will be passed on as soon as possible by Charity Projects to help the selected charities. Full details of how your money is being used will be published soon.

John Edwards

FT-SE 100 Companies with prices as quoted in the December 10, 1987 issue of The Financial Times

1. Amstrad Consumer Elecs. (115)
2. Allied-Lyons (329xd)
3. Argyll Group (178xd)
4. Assoc. Biritish Foods (300)
5. ASDA-MFI (159)
6. BAA (90xd)
7. BAT Inds. (411)
8. BET (221xd)
9. BOC (378)

10 BPB Inds. (237xd)
11 BTR (270)
12 Barclays Bank (445)
13 Bass (785xd)
14 Beecham (429)
15 Blue Arrow (88)
16 Blue Circle Inds. (304)
17 Boots (223)
18 British & Commonwealth (282)
19 British Aerospace)318)

20 British Airways (138)
21 British Gas (127)
22 British Petroleum (250)
23 British Telecom (206)
24 Britoil (277½)
25 Bunzl (157)
26 Burton (224)
27 Cable & Wireless (315xd)
28 Cadbury Schweppes (237)
29 Coats Viyella (248)

30 Commercial Union (325)
31 Consolidated Gold Fields (883)
32 Cookson Group (461)
33 Courtaulds (330xd)
34 Dee Corp. (160)
35 Dixons (207)
36 English China Clays (375)
37 Fisons (243)
38 General Accident (788)
39 GEC (155)

40 Glaxo Holdings (£10⅝)
41 Globe Invst. Trust (126)
42 Granada (282)
43 Grand Metropolital (403)
44 Great Universal Stores (£10½)
45 Guardian Royal Exchange (773)
46 Guinness (274)
47 Hammerson properties (440)
48 Hanson Trust (121½)
49 Hawker Siddeley (410)
50 Hillsdown (250)

51 Imperial Chemical (£10⅛)
52 Jaguar (275)
53 Ladbroke (314)
54 Land Securities (440)
55 Legal & General (249)
56 Lloyds Bank (233)
57 MEPC (429xd)
58 Marks & Spencer (177)
59 Maxwell Communications (206)

60 Midland Bank (362)
61 Nat. West Bank (533)
62 Next (269)
63 P & O (479)
64 Pearson (635)
65 Pilkington Bros. (197)
66 Plessey (137xd)
67 Prudential Corp. (788)
68 Racal Elecs. (214½)
69 Rank Organisation (511)

70 Rank Hovis (306)
71 Reckitt & Colman (748)
72 Redland (389xd)
73 Reed (369)
74 Reuters (417)
75 Rio Tinto Zinc (323)
76 Rolls Royce (105)
77 Rothmans (373xd)
78 Rowntree (400)
79 Royal Bank Scotland (323)

80 Royal Insurance (373)
81 Sainsbury (222xd)
82 Sears (148½)
83 Sedgwick (189)
84 Shell Transport (985)
85 Smith & Nephew (135)
86 Standard Chartered Bank (463)
87 Standard Tel. & Cables (210)
88 Storehouse (240)
89 Sun Alliance (770)

90 TSB (107)
91 Tarmac (208)
92 Tesco (151)
93 Thorn EMI (552)
94 Trafalgar House (298xd)
95 Trusthouse Forte (199)
96 Unilever (460)
97 United Biscuits Hldgs (255)
98 Wellcome (377)
99 Whitbread & Co 9274)
100Woolworth Hldgs (261)

Cazenove picks right options

BERNARD CAZENOVE is not a man to prevaricate. "We left the money on deposit for 15 minutes. Then we got the rifle out and started to shoot."

It was a good decision. After four weeks of dealings in the Great Investment Race, City stockbroker Cazenove is second from the top, having boosted its initial £55,000 stake to £67,386.

The contest pits nine teams of fund managers against the market - and each other - for one year, the aim being to make as much money as possible, all for charity. The first race, which ended just 26 days short of October 19, raised £779,856. This year, of course, is somewhat different - the bulls now long gone, leaving a thin nervous market.

Cazenove has made its money on traded options, a tactic it will stick with "for as long as the market remains volatile," having chalked up a £5,000 profit on P&O options and £7,000 on Grand Met.

"It is the only way to build up a base for the future," says Bernard Cazenove. "We are not trying to run a normal portfolio. We are trying to rifle-shoot on particular opportunities that come up." Cazenove has just £4,164 in cash.

The overall leader four weeks into the race is the Prudential, which has streaked ahead to £84,185, mainly by heavy trading in equity futures contracts. The Pru topped the poll last year, making £381,229, and its policy this time round will be much the same, says Trevor Pullen. "Establish a base portfolio, then trade futures contracts day-to-day to build up capital and re-invest in stocks.

"Short-term, the market is very volatile. Investor sentiment can turn on a sixpence." The Pru has £52,310 in cash.

Nomura and Daiwa, the two biggest Tokyo securities houses, are fighting a bit of a race within a race - to outdo the other being equally as important as the quest to win. At the moment there is very little between them, Nomura lying in third place with £60,923 and Daiwa in fourth with £59,111.

Nomura's policy is to invest totally in Japan, and so far it has bought just one stock, Kawasaki Steel. "On a day-to-day basis we haven't done much, with the holidays and because we're not too excited by the market, which is a bit quiet," says Andrew Jacobs.

Where Nomura has made its money is on currency fluctuations, having put all its money into yen. The cash position is now £47,120, and Nomura is happy to hold the money for the moment, says Jacobs, as the market is very clouded.

Fiona Thompson looks at one team that is shooting towards the top

Daiwa's position is reversed, having just £3,394 in cash. "We're invested up to the hilt in Japanese equity warrants," says Caroline Dale, "but it's very inactive at the moment."

Capital House, the investment management arm of the Royal Bank of Scotland, is number five in the race, with £56,926. David Kidd says he is very cautious about the market, "hence the high level of cash – £36,727," but he will go in and out quickly.

Kidd is very confident about gold, and, in spite of making a bit of a loss on an Australian mining share, Metana Minerals, says he might even buy more.

Hoare Govett, part of the Californian bank Security Pacific, is lying in sixth position with £56,548. "We didn't do anything for the first two or three weeks," says Peter Clark, "as there was nothing particularly attractive." So far the team has bought only two shares - Telephone Rentals and Meyer International - and is holding on to them. Its cash position is £17,498.

"We would like to trade more aggressively but the market is so unsettled at the moment that we have decided to keep our heads down," Clark adds.

Henderson, the independent fund management group, is also taking a careful line. "Caution is our watchword," says Claire Novak. Placed seventh with £55,811, its cash element is £39,151. "We have invested in things we want to hold for a long time and we have been in and out of the long gilt futures market.

"We have put our toe in and made a couple of profits. But we will continue to be happy with strong cash in a nervous market. We've got lots of fire-power still."

Bell Lawrie, the Edinburgh stockbroking firm, has most of its £55,578 invested, with just £11,155 in cash. Lying in eighth place, Bell has put its money in UK companies and one or two traded options, and says: "We have a number of holdings that we expect to keep for the year, but about 25 per cent of our portfolio is more speculative."

Enskilda Securities, the London-based European investment banking arm of Skandinavska Enskilda, Scandinavia's biggest bank, has quite a challenge before it. Not only is it bottom – it has also lost money, having dropped below the starting stake to £52,269.

Enskilda has gone for a Continental approach, buying and selling UK and Scandinavian traded options. "We lost on call options in the London index and the Swedish index," says Diana Barran.

It might be bottom now but two weeks ago Enskilda was fourth and next week it could have bounced back. In these erratic markets, who is to know?. There is only one certainty - it's early days yet.

Patrick Lichfield

Royals make a Deal

BUSINESS Expansion Schemes often have difficulty getting the public's attention, competing as they do with quoted companies, unit trusts and other forms of investment.

However, Lachmead Group is likely to have few problems gaining all the publicity it wants. The magic ingredient is not one, but two, Royal connections.

Lachmead's chairman is Royal photographer Patrick Lichfield, or, as the prospectus more fully describes him, the Rt Hon Thomas Patrick John Anson, Earl of Lichfield. A non-executive director is Viscount Linley, Princess Margaret's son and the Queen's nephew.

It makes for a rather more glamorous set of directors than the average BES board. The project they are promoting, with the backing of sponsor Guidehouse Securities, is a chain of restaurants called "Deals".

Deals will be offering meals at middle-range prices, £8 for lunch and £14 for dinner being the anticipated average spend per head. The idea is that there are relatively few restaurants where couples can enjoy a reasonably-priced meal in attractive surroundings.

The first Deals will open in Chelsea Harbour in March and will have space for 175 diners. Lachmead also owns a Chinese restaurant, Tai Pan, etsablished by Lichfield and Edward Lim in 1979. Mr Lim will be responsible for the day-to-day management of the restaurants.

Lachmead is seeking to raise £2.3m via an offer of 2.3m shares, 54 per cent of the equity, at £1 each. The minimum subscription of £800,000 is being underwritten, so the business will definitely go ahead.

While the idea of a middle-priced restaurant such as Deals seems plausible, investors should not automatically assume that the Royal connection will ensure that the money rolls in. Patrick Lichfield and Edward Lim were for two years directors of Pier 31, a restaurant which went into receivership in April 1986. And Tai Pan last year made a modest profit of £30,000 on its £450,000 turnover.

The Lachmead offer will be open until February 16 and the minimum application is for 1,000 shares.

Philip Coggan

Unit trusts/Christine Stopp

Dismal in Europe

THE YEAR 1988 will undoubtedly be the year of the takeover among unit trust management groups. The first unit holders to find their trusts moving to a new group are those of EBC Amro. The company's eight trusts have been bought by Dumenil with effect from January 1.

There is a good deal of logic behind the takeover. Dumenil and EBC conducted strikingly similar operations, both specialising in single-country European funds. The groups came into being within weeks of each other in early 1986. Though both names were unknown to the UK private investor, EBC managed to achieve funds under management of around £40m at its peak last year, and Dumenil over £80m.

The crash has naturally taken its toll. EBC, prior to the takeover, was managing some £25m, compared to £50m-plus at Dumenil.

Both groups suffered from dismal European markets throughout 1987, though the EBC operation was apparently still profitable. Performance has not been inspiring, with the European trusts of both groups slightly below the sector average over six months to January 1. The EBC and Dumenil European trusts averaged a loss of nearly 33 per cent over that period, compared to just over 32 per cent for the sector as a whole.

Over all both groups' European trusts, the best results for this period was a loss of 15.4 per cent from the EBC Amro Mediterranean Growth trust. EBC's UK Growth trust was above average over the same six months, with £100 sinking to £77.20, compared to the sector average of £70.20, and a mere £58.70 from Dumenil's UK fund.

What happens to one's trust when it changes management? In this case, the actual managers of some of the funds will not change. Keith Miles, the EBC UK fund manager, will move over to the new operation, the funds which are duplicated between the two groups will be merged and those which are special to EBC will continue to be run by the local managers in the countries concerned.

The takeover should be less disruptive than many to the management of the trusts. EBC Amro are not just saying goodbye to their operation; they are taking a 12.5 per cent stake in the combined operation and will have two directors on the board, including investment director Hein Coolen.

Given that they have made known in the unit trust industry an otherwise unheard-of foreign name, have brought in funds under management running into tens of millions, and remained bouyant in spite of a terrible year for European markets, rounded off by the October crash, one is tempted to wonder why EBC Amro should now throw in the towel.

Hein Coolen is giving nothing away. "The sale was agreed not because of dissatisfaction with the way things were going. We saw an opportunity to strengthen our position and combine resources." Coolen also feels EBC's approach was right: "I would say we were very successful in exploiting the niche in the market place."

He also denies that the crash propelled the group into the deal, though he admits that "a lot of people are facing an uphill fight at the moment. The crash was a setback, but it will be temporary. The underlying trend is very much in favour of collective investment schemes."

Perhaps Coolen's comment about European markets in 1988 provides a clue to the reasons for the deal. Though it may be hard to imagine another year as bad as 1987, he says that "a lot of European companies face difficulties in a low-dollar environment, which may continue to make it hard for Europe in 1988."

The Dumenil/EBC takeover was valued at 5 per cent of EBC's funds under management, or £1.25m, assuming total funds of £25m. Christopher Fawcett, Dumenil managing director, says that his company approached EBC, reasoning that two groups with such similar funds offered scope for consolidation. The new group could give "a more complete range, as well as economies of scale."

As regards further developments for the combined operation, he says the bias will remain European for the foreseeable future, though there is a need for trusts into which unit holders can move when European market conditions are difficult.

Fawcett's confidence for the future of his enlarged management group is based on long-term optimism about European markets. He feels British investors are generally underweight in continental Europe, both relative to market capitalisation and because European markets have low market capitalisations relative to their own domestic economies.

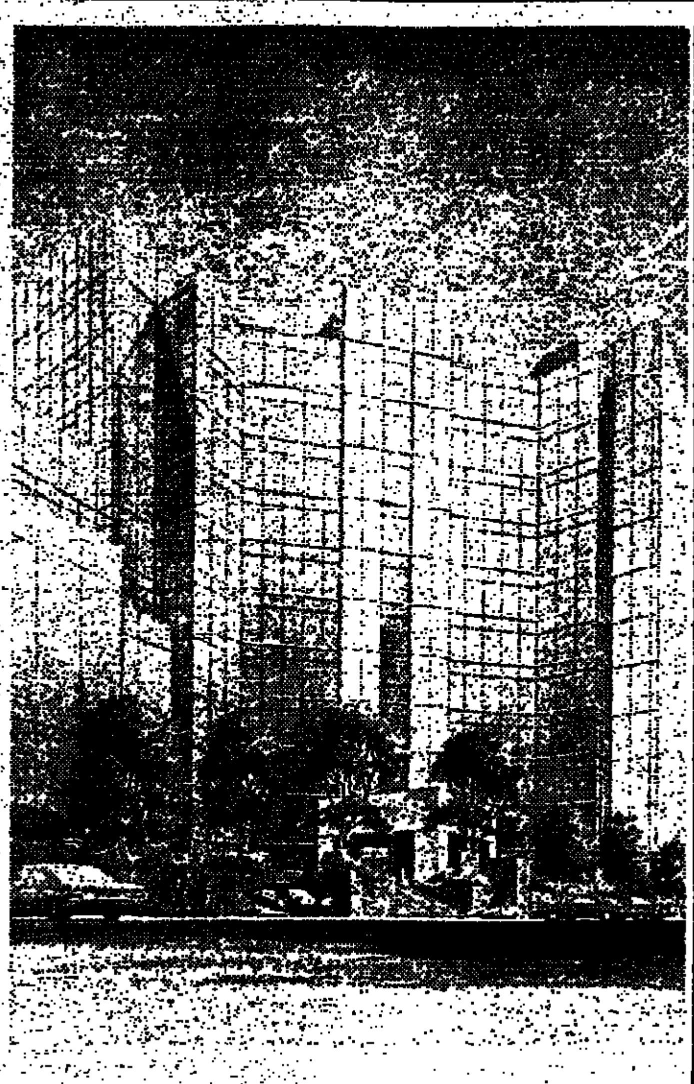
Europe is the UK's largest trading partner. Growing links between ourselves and the rest of Europe and growing market capitalisations in individual countries mean that the British investor should be "on weight" in these funds.

Given the nature of the single-country funds, this must be advice more appropriate for the large, diversified portfolio than for the investor with only a few thousand pounds to put into unit trusts. As a risk investment for 1988, Fawcett continues to see attractions in the Mediterranean markets, because they are not so dollar-sensitive as the rest.

• FINANCE & THE FAMILY •

Zoning in on tax relief

Paul Cheeseright on two enterprising schemes in property investment to help higher-rate taxpayers



The Pet 6 central investment at 3 Harbour Exchange

THE NEW Year can be relied on for two things: first, an avalanche of travel advertising and, second, the launch of tax relief schemes for high-rate payers. This week, two new schemes of syndicated property investment have been put on the market in anticipation of the end of the financial year.

The idea is to take advantage of the relief that can be granted through direct ownership of commercial property in the enterprise zones scattered up and down the country. There are 25 designated by the Government to stimulate economic growth, including part of the London Docklands.

The two schemes are the 6th Property Enterprise Trust (Pet 6) from Rutland Trust, in which London and Edinburgh Trust, the property company, is a significant shareholder; and the Laser 1988 Trust from Colegrave Johnson Fry, the financial services group. Laser is the acronym for London and South-East Enterprise Zone Real Property Trust.

Both are Unauthorised Unit Trusts - that is, they are not authorised under the Prevention of Fraud (Investments) Act 1958 so they do not have the safeguards an investor would have when putting money into an authorised trust.

Each works similarly on the basis that a commercial property investment can be made without significant net outlay. In an enterprise zone there is a 100 per cent capital allowance on commercial buildings (although there are qualifications and the practical allowance is more likely to be 95 per cent). For a high-rate taxpayer – say, 60 per cent – there would be £5,700 on an investment of £10,000. The balance can be borrowed - Pet 6 and Laser can arrange that - and the interest payments, which also attract tax relief, can be serviced by the rental income from the property.

The Chancellor is thus paying a large chunk of the investment. But it is necessary to take a view of the property's prospects - after all, no tenant equals no rental income.

The central investment of Pet 6 is 3 Harbour Exchange, a 93,000 sq ft office building being developed by AMEC Properties and Charter Group Developments on the Isle of Dogs in the Docklands. At least two other properties will be bought in other enterprise zones.

Laser is also starting on the Isle of Dogs with Harbour Island, 70,000 sq ft of shops, offices and restaurants which have a 25-year rental guarantee from Berkley House. Further investments will be made at Chatham Maritime, the enterprise zone on the Medway, where the naval dockyards used to be.

The actual yields from such investments, after taking into account tax relief, would depend largely on the tax status of the investor but would start at around 10 per cent, according to the Pet 6 and Laser literature.

For comparative purposes, potential investors would need to look not only at the range of enterprise zone property investments but also at other tax shelter schemes available such as pension funds, woodlands investment or the business expansion scheme.

Finance companies have developing experience of such tax shelter investments. Property Enterprise Trusts started in 1983 and the first five attracted investment of £28m. Colegrave Johnson Fry says it has sold or arranged the sale of 700 enterprise zone properties over the past seven years.

But the big snag of commercial property enterprise zone investment is that it is illiquid. There is no market as such in the trust units and, if they are sold within 25 years, they could be subject to what is called "a balancing charge" - that is, a proportion of the original tax relief would have to be refunded. So, anybody seeking a quick in-and-out investment had better look elsewhere.

Heather Farmbrough reports on two ambitious BES issues in the hotel industry

New rooms to let

THERE ARE, doubtless, readers who dream of chucking in the 8.10 am from Surbiton and moving to the countryside to run a small, friendly hotel. Many are called – but few make money. The hotel market is uncertain, subject to the irrational fears and whims of tourists and the recession-sensitive nature of businessmen's wallets.

Nevertheless, plenty of hotel groups have been attracted to the Business Expansion Scheme to raise money, with 18 issues since 1983. Perhaps the explanation is, as Johnson Fry says, "Investors...can understand and sample the product."

This year, the investor looks like having plenty of opportunity to do so. Johnson Fry is raising up to £4.5m for County Resort Hotels, while Capital Ventures is seeking to raise £8m for the Ashford International Hotel. These are ambitious sums. Most earlier hotel issues have sought below £3m and have often been undersubscribed.

"Until the 1986 budget, hotel issues were very common, but they have dried up somewhat since," says Mr Stephen Rowe of BES research. This may be due to the 50 per cent asset rule which was introduced then, stating that only 50 per cent of a BES company's assets should be in land and buildings. BES hotel companies have dealt with the rule by leasing assets rather than buying freehold properties.

The thinking behind the rule was that too many BES issues were over-safe and too sure – which is ironic given the unpredictable nature of the hotel trade and its variations in performance.

One of the successes to date is Resort Hotels, a three-year-old BES company run by Mr Robert Feld, which intends to seek a quotation on the USM in March. Resort currently owns two hotels and a restaurant and manages five other hotels.

County Resort will be managed by Resort. County is a clone issue to last year's Country Resort, which raised £1.7m under BES last year. Country is itself a spin-off from Coastal Resort which was also funded through a BES issue in 1986.

Like Country Resorts, County will operate three-star hotels in the south of England. The management of the two companies will be the same; the only difference will be location.

"We will be operating in the three-star market outside the areas which are subject to fluctuations in tourist and business trades," claims Mr Feld. "We are aiming to attract local commercial people and weekend breaks." County's prospectus indicates potential margins of 10 per cent by 1991, and possible pre-tax profits of £184,000, assuming a minimum subscription of £1m and two 40-45 bedroom hotels in operation.

If it raises £3m, County believes it could perhaps make as much as £414,000 with an 11.3 per cent margin. Bullish talk, indeed. The management has no incentive shares and Mr Feld is not receiving a salary. However, he is a substantial shareholder in Resort Hotels, which is subscribing £100,000 for the issue and taking a management fee of 3 per cent of the sum of both profits and sales, which he says is well below the industry norm.

The strongest clue to the likely success of this company lies with the successful record to date of County Resort. Similarly, the attraction of Ashford International Hotel lies in the three-year management contract with Queens' Moat Houses, the quoted company with 115 hotels.

Ashford's five directors are all familiar with the hotel industry and include the current finance director of QMH, David Hersey, and Martin Marcus, QMH'S deputy chairman. Mr Dennis Fredjohn, chairman of Ashford, is also the chairman of Capital Ventures.

Ashford intends to build and operate a 200 bedroom hotel which will be built just north of the Kentish town in a prominent location alongside the M20 at Junction 9. It may not be the world's quietest hotel, but, as the press release says, Ashford is the gateway to continental Europe and only 20 minutes' drive from the Channel Tunnel terminal for car passengers.

Ashford has indicated that it could make pre-tax profits of about £590,000 in year three, 1990, and margins of 8.7 per cent, which seem a little more realistic than the higher figure suggested by County. It has assumed a 70 per cent occupancy rate, an opening date of early 1990 and a maximum subscription. Should the minimum subscription of £4.5m only be raised, QMH will invest £4.5m through the issue of convertible preference shares.

What happens if the Channel Tunnel is never built? The company's answer is that Ashford's excellent access to London and Dover has already earned it the status of Kent's growth town. That means lots of high-spending business travellers anyway.

Eric Short on life companies' distribution deals

Bonus policies on display

TRADITIONAL life companies this winter have been allowed to display to considerable effect the different philosophies on bonus distributions adopted by themselves and their appointed actuaries. Last October's stock market fall has seen to that.

With equity-based, unit –linked savings plans, the investor rides out the market movements to the full. When the market was riding high during the summer of 1987, investors cashing-in their contracts did very nicely, getting the full benefit of the bull market.

Those who cashed in at the end of October or later in the year paid the full penalty of the drop in equity prices – but that is what unit-linked investment is about.

With-profits contracts are different. There is a significant smoothing of the ups and downs of the market by the actuary, as well as a strong guaranteed element - reversionary bonuses already declared during the term of the contract are guaranteed.

Indeed, reversionary bonuses reflect the investment income and realised capital appreciation in the portfolio and provide stability in the growth of the contract's value. To date, all life companies have kept their reversionary bonuses unchanged. Those companies yet to declare are expected to maintain their rates.

The variation comes with the terminal bonuses added at the end of the term. These are intended to reflect unrealised capital appreciation in the underlying equity and property investments and, as such, should vary with the swings of the market. This is where the actuary applies the smoothing process, which varies in degree and in the period of market fluctuation which it covers.

Some actuaries apply the smoothing process over a 12-month period, reviewing terminal bonuses just once a year. This provides stability in their with-profit contracts and they will not show a drop in maturity pay–outs, an advantage which can be sold to the independent intermediary.

However, following this policy, those investors whose contracts matured last summer did not get their fair share of the profits. Given the state of the equity market, it is somewhat bizarre that an investor with a contract maturing now receives more than one maturing last summer.

Other actuaries are more concerned with giving investors a fairer share of the profit, without completely discarding the essential stability of with-profit contracts. They put up their terminal bonus rates when the markets are high and cut back when markets are lower. Hence, the cut in terminal bonuses and lower pay–outs which are occurring now.

These companies will have to demonstrate to intermediaries that the cuts are being made from strength, to ensure the fair distribution of profits, and not from weakness. They are, indeed, giving quite detailed explanations as to the reasons why, as well as assurances on their underlying financial strength.

However, there could be a problem for those who vary their terminal bonus rates more than once a year. Equity markets could recover in a comparatively short time, thereby requiring them to put up the rates again in the near future. Their marketing directors, and the market itself, may well ask why, if the life company is financially strong, rates should be cut only to be restored shortly afterwards.

One lesson is being learnt by intermediaries, if they did not know it already. With-profits contracts vary considerably between companies. These contracts are not clones of each other and the market is far from homogeneous.

Intermediaries need to understand the philosophy of each traditional company, reflected in the degree of smoothing and stability attached to its bonus declarations.

PROFESSIONS OFFERED PHI DISCOUNT

NORWICH UNION Insurance, a leading company in the PHI (Permanent Health Insurance) market, is offering a 20 per cent discount on its premiums for this class of business in respect of nine professions.

This move to reduce premiums comes at a time when there is pressure to increase PHI premiums, particularly on group schemes. The reason is poor claims experience, in an atmosphere clouded by warnings of massive premium increases because of the likely effect of Aids.

The nine professions eligible for the discount are:

- Chartered Accountants
- Actuaries
- Architects
- Barristers
- Doctors
- Opthalologists
- Pathologists
- Solicitors
- Surgeons.

The people in these professions likely to take out PHI contracts would be mainly self-employed and thus have good reasons to be off work for as short a period as possible following illness or injury.

Norwich Union feel these professions are a "super-safe" group with a low claims experience and therefore qualify for a lower premium rate. The move represents an underlying trend among insurance companies to increase their market share without leaving themselves exposed to higher numbers of claims by going after the lower risk groups.

Proposers will have to answer a specific question on Aids in a similar form to that on proposals for life and endowment contracts.

• FINANCE & THE FAMILY •

Specialist advisers may hold the key to investment, says **William Cochrane**

Squeezing more from gilts

HOW TO get more out of gilt-edged investments is a question which is exercising many minds these days. More exciting, or more familiar, options are less attractive than they used to be.

At the familiar end, building society interest rates have fallen and may decline further, so it is not so easy for pensioners on a limited income to use that route to protect their existing capital and get a high income in the process.

When it comes to excitement, stock market investors may have had a basinful in the past year; after *Black Monday*, which heralded a 25 to 30 per cent drop in the value of ordinary shares, this route to capital gains is at least questionable.

Some investors have, historically, relied on taking capital gains once a year within the tax-free threshold of £6,600 as a means of supplementing their income. However, if they did that now, they would be eating into their capital, rather than seeking a return from capital growth.

So gilts have come more broadly into consideration in the personal finance market. Investment in gilt-edged stocks is the foundation stone of professional investment policy and the way insurance companies cover their basic liabilities, but it is also perceived in Throgmorton Street as a difficult, or indeed a boring, proposition for the average investor.

Specialist advisers may have the answer. Operating from London's West End and Epsom, Surrey, Partridge Muir & Warren* is a financial planning organisation established in 1960, one of the first of its type in the field and the originator of a gilt plan which has been operating now for some 12 years.

The company has recently established a link with the National Westminster and Midland Banks, which are now offering the plan to investors through their financial and investment branches, using PM & W to administer the schemes.

Its managing director, Alan Mackay, says that the PM & W plan offers any number of alternatives between a fixed rate of tax-free income, plus the return of the original capital investment after ten years, with the real prospect of some growth, or investment strictly for capital growth, with no income at all.

In general terms, he says, the plan can be geared to produce straight income; escalating income; deferred income; capital growth or any permutation of these.

"The skill is in the precise construction of the plan, individually tailored to investors' requirements," he said. "It originally took 17 pages of calculations to get at the precise formula for the combination of gilts and endowment policies we use, but now a computer can produce this in a minute, so accurately that we can provide to the nearest penny for a higher-rate tax liability."

For the straight income versions of the plan, the back-up endowment policies, underwritten by names such as Norwich Union and Friends' Provident, are geared to provide at least the return of the investor's capital, free of tax. Meanwhile, the bulk of the money is invested in nine gilt-edged stocks, one of which will mature during each year of the plan, adding an element of capital profit, to be distributed tax-free.

That, says Mr Mackay, allows basic rate taxpayers to look forward to a net yield of 7.7 per cent, or 6.8 per cent in the case of a 50 per cent tax payer. The return eases to 6.7 per cent at a 60 per cent rate.

In pursuit of capital growth, he says, the plan takes all the income and redemption gains on the stocks and puts them into an endowment premium geared to produce a "handsome" tax- free growth rate by maturity.

After ten years the investor *has the option to leave the* accumulated capital with his chosen life office and occasionally to draw upon it, or the special bonuses which it will attract.

Minimum investment in the gilts plan is £10,000. The bulk of that capital, the investment in gilts, will remain in the hands of the owner. PM & W make an initial charge of 2 per cent of the investment, up to a maximum of £650, to cover costs, general administration and servicing.

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Capital Gains on Falling Interest Rates

Long term interest rates %	Approx. Convertible price (Treasury 8% 1990	Approx. income	Capital profit
9.9	£98	£420	–
7.0	£121	£420	£2,300
6.0	£134	£420	£3,600
5.0	£150	£420	£5,200

An each-way bet

CITY FUND managers Whittingdale are recommending an "each-way bet" in the gilts market, in the shape of the 8 per cent Treasury Convertible 1990 issued by the Government shortly before Christmas.

The stock offers holders the option to convert into a longer term gilt – 8½ per cent Treasury 2007 – within the next seven months.

Patrick Whittingdale, chairman of the fund managers, says long-term gilts have exceptional potential for capital growth in the event of an economic slump and a fall in interest rates. But if inflation comes back into prospect, they will look shaky.

"In a slump," he says, "interest rates fall and the price of long-term gilts will rise, as the interest they offer looks increasingly attractive." The effect of this on the convertible, priced at £98 (£50 paid) – with the second instalment of £48 due on January 27 – is demonstrated in the accompanying table.

"Long gilts – with redemption dates at the beginning of the next century - are better performers than 'shorts'," says Mr Whittingdale. "But if rates rise, longs tend to suffer, while shorts hold their value better."

Eric Short follows a Rainbow

Arc across the world

THE RAINBOW now covers the world. Leading insurance company *Eagle* Star, a member of the BAT group, is extending its Rainbow concept of investment reward/risk to its offshore operations.

Eagle Star International, an offshore life and investment company established in the Isle of Man, is launching its first unit-linked contract – the Rainbow Bond – on March 1. Other linked contracts under the Rainbow title are scheduled to follow.

Eagle Star was a pioneer among life companies and unit trust groups in providing investors with a choice of investment funds based on the underlying risk. The company uses the colours of the rainbow for risk classification ranging from violet for "no risk" to red for the highest.

Under this concept, the investor selects the level of risk and the Eagle Star investment team does the rest.

On life contracts, four funds are available: the Secure no-risk; the Blue Chip low-risk; the Performance medium-risk andthe Adventurous high-risk. These funds are available on this new offshore bond.

Offshore contracts carry a currency risk as well as an investment risk – but Eagle Star was a pioneer in this field as well.

Contracts can be designated in sterling, dollars or the company's own currency called the Eagle which is created from a mixed basket of currencies using the following formula - £1, US$2, Dm4 and Y500. Holding a contract designated in Eagles spreads the currency risk and has proved popular with expatriate investors.

The charges on the bond are 7 per cent initial bid/offer spread - about average for offshore funds - and 1½ per cent renewal. This latter figure is at the high end of renewal charges (1 per cent is the norm) but Eagle Star International justifies it on the ground of the in-depth investment management provided. When a group is making high charges, then the only justification is a top investment performance.

The initial investment is £5,000 or $7,500 and there is a pre-launch bonus of 2 per cent this month and 1 per cent in February.

Eagle Star International has its sales and service centre at Reading, 40 miles west of London – convenient for UK-based intermediaries and near Heathrow airport. It also has overseas offices at Athens, Bahrain, Gibraltar and Hong Kong.

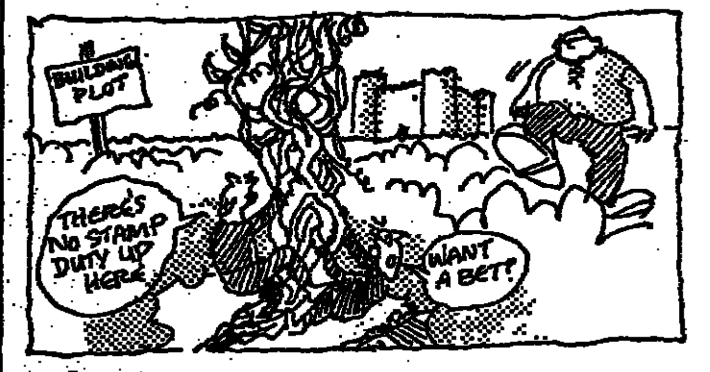
Intermediaries dealing with expatriates are now setting up offices and branches overseas – partly to be nearer clients and partly to segregate their onshore and offshore operations because of the implications of the UK Financial Services Act.

When this comes into operation, probably at the end of April, such funds cannot be marketed in the UK unless they are designated by one of the routes available.

The Isle of Man is seeking to be classified as a designated country by the Department of Trade and Industry, in which case all funds issued by companies based on the island would automatically be marketable in Britain.

The island effectively has received designation for insurance from the DTI so those life companies established there can market their bonds and other products in the UK.

Designation for unit trust contracts is by no means as far advanced, so the emphasis for companies based in the Isle of Man is going to be on bonds.



Taxman does an about-turn

Richard Waters thinks home-buyers should think about ways of avoiding stamp duty

ANYONE buying a house should think carefully about ways of escaping stamp duty, currently set at 1 per cent of the purchase price. Depending on how the purchase is structured, this duty can be reduced or even avoided altogether – though around 400 buyers have just found to their cost that the Inland Revenue does not give up the duty easily.

With proper planning, duty is charged only on the value of the land, rather than the combined value of the house and land. This only applies in cases where the house has not been built, or is partially built, at the time the purchase is arranged.

Stamp duty is not payable on purchases of less than £30,000, so if the land is worth less than this, there is no duty to pay, whatever the combined value of land and house.

However, a number of schemes developed by builders to help purchasers avoid stamp duty are no longer effective. In a remarkable about-turn over Christmas, the Inland Revenue outlawed many of these arrangements, including ones it had specifically approved in the past. In the process, 400 purchasers who had every right to think they would not have to pay stamp duty now face unexpected bills.

Schemes to avoid paying tax will in future only work if the deal to build the house is completely separate from the sale of the land. According to the Revenue, if the two deals are so interlocked that the purchaser can only take possession of the land once the land and building price have both been paid, there is "a strong indication that there is a single bargain for the sale of a completed house as a package deal" and stamp duty must be paid on the full amount.

This means in effect that to avoid duty the contract for the house must be signed *after* the *deal for the land. That way*, it is possible to prove that the two are not part of a "package deal." An oral agreement counts as a contract, so purchasers *should be careful about promising* to employ a builder once the land has been bought.

Alternatively, a builder other than the one who sells the land can be used to build the house. In this case, it does not matter if the contract for the house is signed before the land has been bought.

However, there may be some unforeseen tax liabilities. For instance, having a house built can be more costly than buying the same house already completed. There is no VAT on new houses, whereas fixtures and fittings in a house built specially attract 15 per cent VAT. Also, builders face a capital gains tax charge on any undeveloped land they sell. If the land is sold with a house already built on it, the profit is taxed as normal trading profit.

An alternative to buying the land and house separately is to find a builder who will accept a part exchange for a new house. If the new house costs £100,000 and the old one is worth £60,000, stamp duty is only paid on the difference of £40,000.

There is some hope, meanwhile, for the unfortunate 400. If *they can prove that* they were given the wrong advice by the Revenue before going ahead with their purchases, they will be excused the stamp duty. Also, the taxmen have said that they will consider cases where the duty "would cause hardship." Otherwise, the 400 have little option but to pay up.

A winning formula

John Edwards looks at a successful Personal Equity Plan from Framlington

AGAINST THE odds, one of the most successful Personal Equity Plans (PEP) has turned out to be the one launched by Framlington.

So much so, it is using exactly the same unusual formula for its PEP 88 scheme, as for its 87 scheme, which managed to achieve a 15 per cent rise in the offer price last year in spite of the October collapse in the stock markets. Up to October 15 the offer price of the units had risen by 68.6 per cent since its launch on February 13.

The Framlington scheme is unusual because it has special *permission from the* Department of Trade and Industry to wrap its PEP plan into a specially created unit trust. You pay a fixed annual subscription of £420, the maximum amount under PEP regulations that can be put solely into unit trusts. The money of all subscribers is then pooled to deal in a portfolio of shares, selected and managed by a fund manager.

To comply with the Chancellor's aim that PEPs should encourage more interest in share ownership, the Framlington *PEP unit trust has some* unusual features. It holds an annual meeting for members and provides detailed reports on the companies in which it invests. It also has *provision* for a referendum or poll of unitholders to be held should a consensus be required on "contentious issues" such as whether or not to back a takeover bid for one of the companies in the portfolio.

The trust has powers to invest in all quoted companies on the London Stock Exchange, but is restricted to UK investment only.

John Cornes, the fund manager, took the unusual strategy for a PEP scheme of investing for capital growth rather than income yield, in spite of the fact that unless you pay capital gains tax the main tax-free concession applies to income. He argues that this policy is likely to give a better return to long-term holders, but it also seems to have paid off well in the short term. He will adopt the same *strategy* for PEP 88 since the *intention* is to encourage long-term investment in a fund which is limited in size by the ceiling of only £420.

PEP 87 is now closed to buyers. However any sellers before January 1, 1989 will lose the tax-free concessions, so it is hoped that there will be few redemptions and that the value *will continue* to grow, although by the end of 1988 it will have to go to a bid price only basis. However, Framlington plans to merge into one big fund the separate annual PEP trusts once they have "matured" – i.e. the money has been retained until the end of the second year. The first merger of funds cannot take place until the beginning of 1990, since that is when the second (PEP 88) trust matures.

Meanwhile PEP 87, after a somewhat disappointing initial reaction, *eventually did rather* well. It attracted 9,300 investors, of whom some 20 per cent came in during the last two months, and ended the year with total funds worth £4.3m.

Framlington believes that more investors would be attracted if the maximum limit was raised from £420 to the £2,400 *ceiling allowed under* conventional PEP schemes. Tim Miller of Framlington has continued to lobby the Treasury on this point and is confident that the Chancellor will make *some* changes and concessions for PEPs in the forthcoming Budget.

Unless the Chancellor relents in March the ceiling of £420 remains but at least – unlike most other PEP schemes - you get a good spread of shares for even this very modest outlay. On the other hand you can only take out one PEP scheme each year, so the Framlington scheme is not suitable at this stage for investors who want to put in more than £420 or make monthly contributions.

FS Investment Managers of Glasgow also enjoyed quite a success with its 1987 PEP scheme, which gained 16.4 per cent in value over the year. *However, it was also* one of the most expensive PEP schemes, so this year the charges have been lowered. For the 1988 plans the initial charge for existing holders goes down from five to three per cent and to four per cent for new plans from joint applicants or existing FS unit trust investors.

More significantly the annual management charge is being reduced from a hefty 2.4 per cent to 1.5 per cent of the fund value. Minimum investment is *now £1,000 with increases of* £250 allowed throughout the year up to the maximum of £250. This year you will be able to select one more FS unit trust within the plan, and switch between them later, or opt for no unit trust holding at all.

You also will have the choice *of whether to receive* the annual report and accounts for companies which hold shares in the plan.

• FINANCE & THE FAMILY •

Why so few taxpayers?

Some weeks ago, I read with disbelief that only 130,000 people paid capital gains tax in the last fiscal year. Surely, I reasoned, this should have read 1,300,000. Even the unluckiest "Sid" would have found £6,300 gains difficult not to exceed with the remarkable – real – rise in share values.

But no, it was not an aberration. The figure was seen again in another respectable investment chronicle – 120,000, the same chosen few!

Does an explanation lie outside this list, viz: 1. no one else has sold any shares to create a gain; 2. indexation has been better than our wildest dreams; 3. sons, daughters, canaries, cats and hamsters have been conscripted to stuff their cheeks with mum's and dad's shares to keep the gains from bursting forth; 4. they've all lied on their tax forms; 5. capital taxes or the central statistical office has thrown a wobbler?

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

The figures of CGT assessments made on individuals (as distinct from trustees) are derived from the booklet *Inland Revenue Statistics*, published by HMSO.

The likely explanations include:

(a) The present CGT rules discourage sales of assets acquired before April 1982, and of those acquired later which have outstripped the index of retail prices. The rules have been redesigned to encourage the disposal of such assets by way of gift (to residents of the UK) rather than by sale.

(b) As the years go by, the proportion of the investing public which has learnt how to avoid the CGT pitfalls laid by parliament (e.g. by careful timing of loss-making sales and negligible-value claims) is rising steadily.

(c) Assessments are not made in all cases - taxpayers sometimes agree to inspectors' requests to be allowed to withhold CGT liabilities from income tax refunds, without following the statutory requirements for assessment and collection.

(d) The CGT rules have become so intricate and confusing that a number of investors of moderate means (unable to afford the rapidly rising cost of professional help with the time-consuming calculations required) are unaware that they have CGT liabilities to report.

MIR on new home

I am a higher-rate tax payer and now 60 years of age. Our house is valued at around £160,000 and only some £4,000 remains outstanding on the mortgage.

On retirement we probably would move to the New Forest area, which we visit quite a lot. Recently we put out feelers there for a flat in an existing small development and an opportunity to purchase a property for about £70,000 is now coming up.

The big question now is, if I pay off my existing small mortgage, can I obtain mortgage interest relief on a new mortgage - say £30,000 for tax efficiency considerations - on the second property? I have often read of various circumstances where there is a need to nominate which of one of more properties is, for tax considerations, to be considered as the main residence, but I wonder whether this choice remains while mortgage interest relief is being enjoyed on one property.

Although it is possible to choose which of two or more residences is one's main residence for the purposes of capital gains tax (and to change one's choice retrospectively, up to two years), by virtue of section 101 (5) (a) of the Capital Gains Tax Act 1979, there is no corresponding right of choice for the purposes of mortgage interest relief.

It looks, from the bare facts outlined, as though the New Forest flat would not actually become your main residence within a year of the borrowing for its purchase, and consequently the answer to your "big question" is almost certainly no. Ask your tax inspector for the free explanatory booklet on the Tax Treatment of Interest Paid, IR11 (1985). You may also like to ask for the pamphlet on the capital gains tax aspects, CGT4 (1983).

Taken on trust

On 24 October 1985 I invested £3,000 in a unit trust with units quoted at 100 pence each. The company now advises that an error was made and that the price per unit shares have been 1.20 pence, resulting in a considerably lower number of units being allocated. Is the company entitled to reduce the number of units which have been held for two years?

If the units were offered to you at 100 pence each and you accepted that offer, then the fund managers cannot now rely on their mistake to amend, alter or rectify the contract. You should insist that you are entitled to your full 3000 units and should resist any attempt to alter that.

Cover for liability

We are a residents association about 20 years old consisting of the 14 house owners in a private road and undertaking the maintainence of a drained tarmacadam road surface having unmade treed pathways either side. Our local council does not contribute to the upkeep but we pay reduced rates. The road is used regularly by vehicular, pedestrian and equestrian traffic.

To what extent are we liable if accidents should occur to passers-by or ourselves as a result of poor maintenance or acts of nature relating to the road and adjoining pathways. Would you advise an insurance cover if any liability does exist and if so what type and to what value would you recommend.

You would be wise to effect insurance against liability to third parties. We cannot advise you as to the full extent or value of cover required; but no doubt an insurance broker can be found to do this for you.

A home for life

Twenty years ago I married a widow with three children and since then have lived in her flat. At that time the flat was worth about £10,000 but is now valued at about £200,000.

My wife has bequeathed the flat to her children in her will but with me to retain possession for my lifetime. Her children have little means and if they became liable to pay inheritance tax on the death of my wife would be unable to do so without being able to sell the flat which I would not wish to give up.

Similarly, regarding a weekend cottage which my wife and I jointly own, my wife has bequeathed her half share to her children with the same type of arrangement between us, each permitting the surviving partner to retain posession until death.

Could you please explain how inheritance tax is applied in such cases when the beneficiaries have to wait for an indefinite period to, so to speak, physically acquire the assets.

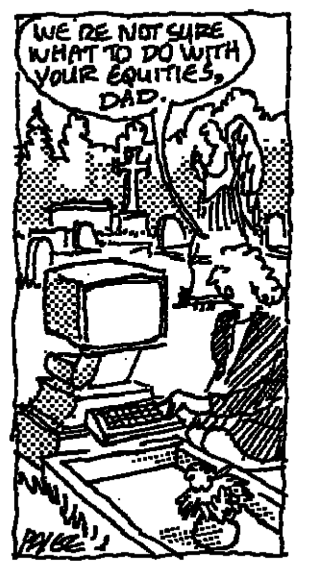
It would be more tax-efficient if your wife were to make a gift during her lifetime to you of a share (say 60 per cent) in the flat. She can safeguard her children's position by contracting with you for you to make a gift of that interest to her children under your will. By that means both your Inheritance Tax nil rate bands of £90,000 can be used in reduction of the tax bill which her children will have to bear, and a sale during your lifetime might be avoided.

Victim of the storm

The recent storm caused a large elm tree in my neighbour's garden immediately against the dividing fence to fall and demolish part of the fence, which I understand to be mine. Also its upturned roots lifted and broke the concrete path on my side of the fence.

Is my neighbour liable for the damage caused to the fenceand concrete? If so, does he have the work carried out or do I have the damage made good and submit the bill to him? I have no insurance policy to cover the damage.

You have no remedy against your neighbour unless the tree was already known by him to be in a dangerous condition.



Claim for tax relief

I was interested in your reply to a query, headlined "Inherited values," in Briefcase on November 28.

I was under the impression that, by virtue of Section 179 of the Inheritance Tax Act 1984, a claim could be made by an executor for the proceeds of quoted securities which are sold within a year of death to be treated as the value at date of death for inheritance tax purposes. Given the recent stock market falls, it would seem beneficial for executors to realise quoted share portfolios for cash where there is a sizeable IHT liability, thereby reducing the IHT payable.

Admittedly, this reduces the probate value for capital gains tax purposes; but beneficiaries are not likely to be able to absorb losses arising which would be available to them if, alternatively, the shares were transferred to them in specie at probate value and subsequently sold.

In our reply on November 28 we omitted to point out that, where there is a sale of shares within the 12 months immediately following the date of death, it is open to the person who is liable to pay the inheritance tax attributable to those shares to make a claim for relief under Section 179 of the Inheritance Tax Act 1984; in which case, the actual sale price will be subtracted from the valuation made as at the date of death and the amount so arrived-at will be allowed as a relief (i.e. in reduction of the inheritance tax payable.)

We regret that owing to a computer error, some items in the Briefcase column were inadvertently repeated in last week's issue. An additional reply to one of the repeated items - entitled Inherited Values - is printed above.

Hamish Brown skis with a touch of Eastern promise – in Morocco

From the slopes to the souks

A LOOK OF incredulity is often the reaction when I tell people I am off to ski in Morocco. In popular imagination Morocco appears as a land of deserts and kasbahs, camels and kaftans – which it is – but it is much, much more. It is, simply, the nearest really exotic country to Britain.

Morocco is on another continent, has a mysterious history, is dominated by a different religious and folk tradition and is "heady, hot and hospitable." Yet it is no more difficult to reach (and often cheaper to visit) than many places in Europe. The High Atlas mountains, which rim the horizon south of Marrakech, have lured me back regularly for a quarter of a century, to ski, climb, trek, birdwatch and generally explore the vastness of its colourful landscape and proud Berber peoples.

Marrakech in the spring is a city of vivid contrasts: mud walls which went up when King John was having trouble in the Wash, spacious gardens, teeming souks, thousands of palm tress and, beyond the Koutoubia minaret, the improbable silver line of the Atlas peaks which rise to 4,167 metres in Jbel Toubkal, highest in all North Africa. The very name Atlas has a ring to it. Here, beyond the Pillars of Hercules, in ancient mythology, earth and sky were held apart. When winter is kissed by spring it is one of the most beautiful places on earth.

It is a place not to explore in a large, organised tour group, which isolates one from reality and leaves that common memory of identikit hotels, goldfish bowl exploration and much badgering by touts. Fortunately my first visit was for three months which took me beyond glib assessments to actually putting down roots. I have seen friends made then grow up; I've been to their weddings and dandled their kids on my knees. We are all made of the same dust and the same dreams.

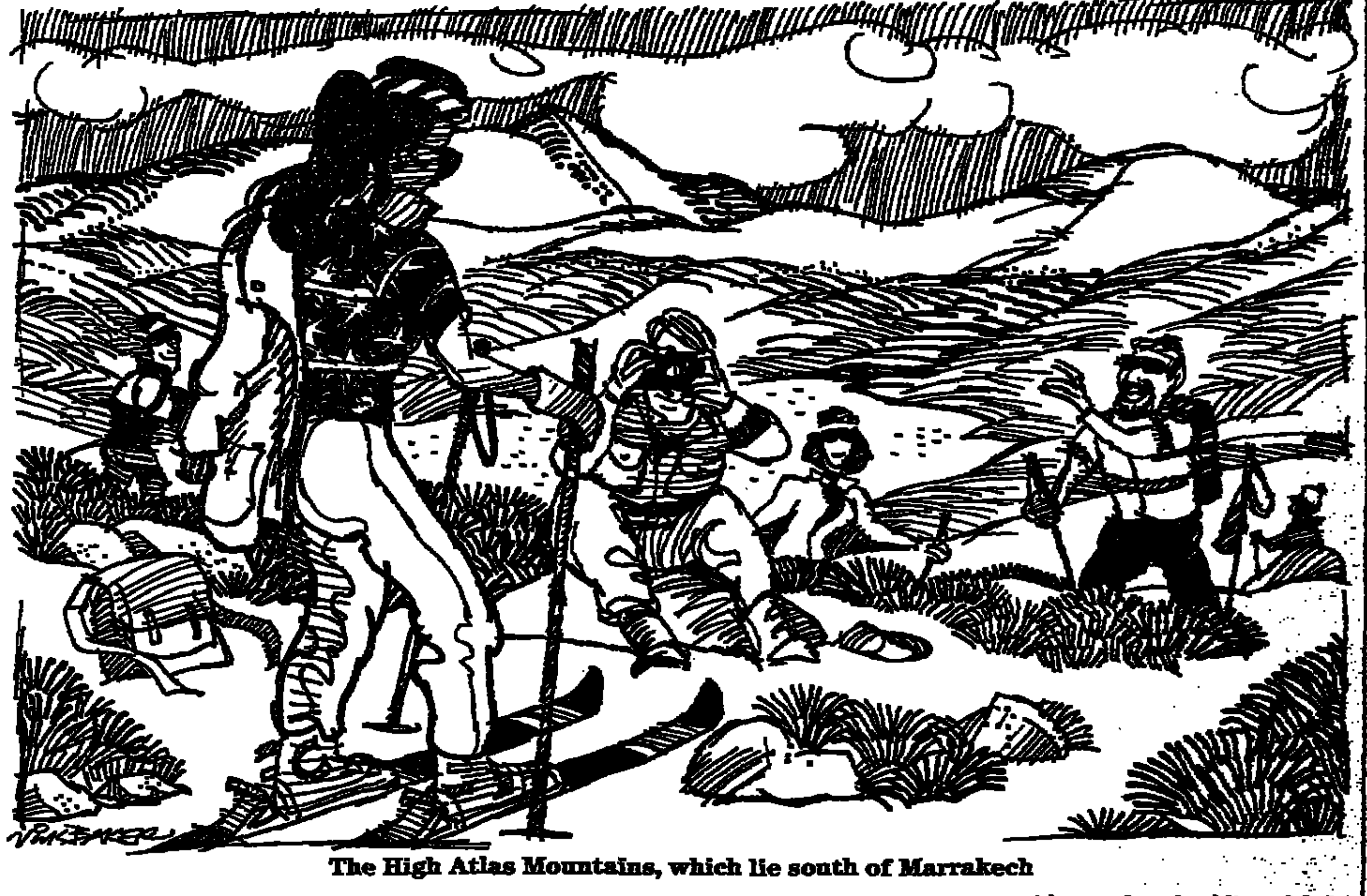
When I was writing The Great Walking Adventure (Oxford Illustrated Press, 1988) I dealt with Morocco much more thoroughly than with other countries (Corsica, Peru, Norway, Himalayas) and this was with the intention of perhaps beguiling readers to put feet to their dreams and make the Atlas a first walking adventure abroad. Rather than repeat what I've said there I'll just give some cameos, rather like slides at a lecture. You can always buy or borrow the book after all.

Gavin Maxwell's Lords of the Atlas is a fascinating account of some recent history, and Shirley Kaye's Morocco is not only a photographic feast but pleasantly written. These are all in print. Neville Barbour's Morocco is a full history but out of print. The Rough Guide to Morocco is the best of the many guide books available at present.

The cheapest flights go to Agadir. Agadir is an anomaly: a jet-setting, package-holidaying, specially-built resort, which could be anywhere and I find it appalling. Agadir was very different when I first saw it, a barren waste with a few battered buildings in forlorn isolation. There had been an earthquake and the population of 60,000 had been wiped out in minutes. It is testimony to Moroccan drive that the city has become an international centre since. Taroudant, inland, is the old capital of the Sous, and a gem of a place: surrounded by ramparts, usually sunny, with bustling souks and an absence of hassle. It is the Morocco of the popular imagining.

A bus leaves Taroudant at 5 am and at dawn is tackling the 7.000 ft pull up to the Tizi n' Test pass, one of the few motor roads across the huge chain of mountains. You zig-zag right up to the snowline in a scrum of summits. It is a ferocious ascent into ever-richer scenery as you follow fish scale-bright rivers through forests and terraced fields which can be smothered with almond blossom in the spring. Leave the bus at Asni.

Since it is lunch-time go into one of the temporary cafes,kicking off shoes to sprawl on the matting. Minehost will bring ewer and water for ritual hand-washing, then select around dish with a conical cover from those cooking on a row of braziers. Inside is a deliciously spiced stew (tagine) which you eat using right hand only. A round of bread helps mop it up.



The High Atlas Mountains, which lie south of Marrakech

At the end there will be mint tea, the sweet and energy-restoring national beverage. Other customers will actually be making their own tea. It is all very leisurely and restful. You will spend well under £1 and maybe a few tips to the wandering minstrels who are basically entertaining the locals, not you. It is a man's world and few women are involved with trading. The market is the centre of local life and is an unforgettable experience.

Dine that night in the Hotel du Toubkal to savour a contrast: good French and Moroccan food, local wine and an opulent decor of Berber reds. The nightingales sing in the rose garden and the big peaks shine eerily in the moonlight of a night that throbs to the million voices of cicadas and frogs. A stork nests on the roof – a sign of good luck. The nearby police station has five nests on it, to the puzzlement of the locals!

A shuttle service of a communal taxi operates up to Imlil,the mountain base and taxis and buses descend regularly through a wallow of foothills to Marrakech out on the Haouz Plain.

When I first knew Imlil, the end of the road 11 miles into the mountains from Asni, it was just a car park and a mountain hut. Now it is a village with rows of shops, cafes and a cheap hotel. The people have built their own school and mosque. It is the trade centre for the radiating valleys and the base for the hiring of porters, guides and mules for the mountains. It is a picture of Chamonix or Zermatt as they must have been 100 years ago.

Mountain activists of all nationalities pour through so often in vast organised gangs, hell-bent on Toubkal at all costs, while so much of the best is to be had by just "being there."

Toubkal is a pile of rubble in summer when Marrakech bakes under a grim sun. In spring the climate is sparkling and fresh. Toubkal, under snow, is quite a serious proposition; like Snowdon or Ben Nevis it has its lazy route but you need ice axe and crampons. It is a superlative summit for the skier and if it has meant days of ascent (Marrakech-Imlil-Neltner Hut in turn) then the flying planks whizz one down 7,000ft in half a morning and you can be in Marrakech that same night, banqueting in the Medina while snake charmers, tumblers and belly dancers give a floor show that is rather different from any Blackpool counterpart.

The best of Atlas enjoyment, I think, lies in that useful American word "backpacking": walking through the peaks for days on end, sleeping out under the brittle stars or in Berber villages, traversing passes, descending great gorges or following mountain crests. The colours are kaleidoscopic, turning in sharp primary colours of red soil, green cultivation, white snow and blue sky. If you don't feel bold enough to go unaided, companies like Explore and Exodus do this sort of trekking in a pleasantly informal way.

I often end with a couple of days at Essaouira on the coast due west of Marrakech. It is a 17th century walled town of blue, red and white colouring with some excellent seafood eating places and endless sands to walk along. If you want a snack you can have fish grilled at the quayside straight off the boats. The Hotel des Ramparts has windows 100ft above the crashing Atlantic rollers and looks out to the old port.

There is always a wind blowing at Essaouira and the sun sets into the bustling sea in a molten globe. Morocco is Islam's *Maghreb*, Land of the Furthest West, which gives a romantic connection with our own lands where legends and dreams look west beyond the sunset.

• Exodus Expeditions, 100 Wandsworth High St.,London, SW18. Telephone (01) 870-0151.The cost of a 17-day trek starts from £410 including flights, accommodation and most meals. Explore Worldwide, 7 High St., Aldershot, Hampshire, GU11 1BH, organises 15-day treks from £335.

Telephone 0252-319-448.

Because snowfall is unpredictable in Morocco, many tour operators are reluctant to organise packages there.

One that does is Creative Leisure Management, 4a William St., SW1 9HL, telephone (01) 235-2110. Prices of one week's skiing start from about £384, including car hire.

The last resort when the snow doesn't show

Raymond Hughes joins disconsolate skiers in the bars of spring-like Tyrol

"THE OLD people say the last time it was as bad as this was 1935," said the proprietor of the ski equipment hire shop,looking out at the green mountain slopes of Niederau in the Austrian Tyrol.

Early in December several days of rain had washed away the snow that had fallen the previous month and since then abnormally mild weather had prevented falls of any significance.

As a result of Niederau's unwelcome Indian summer, in the first week in January there was still no snow below about 1,400 metres. Would-be downhill skiers were having to take the lifts up to pistes on the mountain tops, where they had to cope with patches of ice and grass, while those of us who had come for cross-country skiing had to find other ways of passing the time.

Niederau is one of the three villages in the Wildschonau, one of the more beautiful valleys of the Tyrol which is particularly popular with British skiers, especially beginners, who come in their droves on tour operator packages.

Normally its lower slopes would be crammed with beginners mastering the snowplough, stem turn and traverse – and limping off to lunch in one of the village's restaurants. This winter those normally busy restaurants have been almost empty, frequented only by disconsolate langlaufers (cross country skiers), those who could not face the poor conditions on the mountain and an increasing number who had opted out because of bruises or more serious injuries.

The tour operators and the local ski school have done their best. Intermediate skiers have been bussed daily to Auffach at the other end of the valley and taken up in the gondola lift to where snow conditions were slightly better at around 1,800 metres.

The beginners in Niederau found that their problems were not confined to the pistes themselves. Even more people than usual were falling off the t-bar and button lifts on the nursery slopes because of ice and grass underfoot, and there were tales of "refuseniks" defying their instructors and leaving the lifts halfway up, rather than risk a fall on the icier, more grassy, upper reaches.

Children were particularly vulnerable because their shorter skis could not bridge the patches of grass so they would come to an abrupt halt and fall.

Nursing their bruises in the bars, even the men said that they were not finding skiing in such conditions enjoyable. They admitted that it was only machismo that kept them going. The women did not suffer from such an image problem. "I've had enough. I'm just too frightened," was a not untypical reaction.

Few people appeared to have been comforted by the assurances of instructors that "if you can learn to ski in these conditions you'll be really good when you get good snow." Many felt they were being pushed too fast by their instructors and were being taken onto red runs for which they were not ready simply because the easier blue runs had been overworked. Morale was low and the confidence of many damaged. Not a few said that they had been put off skiing for life.

In addition to getting no skiing at all, the luckless langlaufers discovered that the "no snow" compensation guarantee in their tour operators' brochures did not apply to them. Unless the lift system was closed down compensation was not payable, they were told – despite the fact that there were no cross country trails at the tops of the mountains and that they had paid the same for their holidays as the downhill skiers.

Two snowfalls during the week made some improvement on the mountain tops, but as the coaches left for Salzburg and Munich airports at the end of the first week of January, the sun was shining brightly on lower slopes still only thinly speckled with snow. Further snow was promised this week, but nowhere near the levels expected for the time of year.

Stuart Marshall goes mudslinging in a four-wheel drive Lada

A workhorse for all seasons

THIS TIME last year my part of Kent was like Lapland and the Lada Niva Cossack (pictured) would have been ideal transport. With permanent four-wheel drive, a lockable centre differential and high clearance, coil-sprung suspension, it thrives in conditions that stop other cars in their tracks.

However, Lada's UK importer has aimed the Cossack not so much at the up-to-the-axles in mud or snow brigade as the owner (probably young and male) who fancies using a Range Rover instead of a normal car but cannot raise the price.

At £7,345 the Cossack is less than half the price of the lowest-cost Range Rover. It has been designed to catch the eye not of a Chelsea farmer, but perhaps of a Battersea smallholder. The Cossack costs £1,150 more than the standard Niva 4x4, which is mechanically the same but fairly stark inside. For the extra money the Cossack buyer gets smart alloy wheels and Michelin tyres, glass sunroof, bull bars front and rear, deluxe cloth seats and carpets, body stripes and sports steering wheel.

Not all the extras have been well thought out. The spare wheel blocks so much of the rear window it makes the wiper pointless. And the spare with its heavy carrier has to be swung to one side every time the tailgate is opened.

For a high-slung, short-wheelbase machine the Niva does not ride badly and handles quite nimbly, though the steering is heavy when parking. It is low geared (20 mph or 32 kmh per 1,000 rpm in top) and both noisy and thirsty at over 60 mph (100 kmh). A careful user might get 25 mpg (11.3 litres/100 kms), but not if he tries to keep up with motorway traffic.

The 1.6 litre, 78 horsepower engine is on the small side and the five-speed gearbox has to be used freely. The transmission whines and the exhaust system vibrates.

The Niva feels rugged and I know from past experience that it goes formidably well across country. But the build quality is patchy and some design aspects archaic. Both the interior mirror and gear lever knob of the almost new test car came off in my hand. The switches, minor controls and instruments are crude and the door mirrors cannot be adjusted from inside the car.

Vision of danger

ACCORDING to the Transport and Road Research Laboratory, 25,000 accidents would not occur on British roads each year if the weather were fine. Of these 25,000 crashes, 13,000 are held to be due to reduced tyre grip on wet road surfaces. But the other 12,000 are, in TRRL's view, caused by vehicle-generated mist having dangerously reduced visibility.

Most lorries and coaches are supposed by law to be fitted with an approved spray-reduction device. There are two main kinds. The most popular are whiskery plastic mats which catch the water as it is flung up by the tyres, slow it down and let it fall gently to the road, instead of billowing out sideways as a mist. The other idea is to fill in as much of the wheel arches as possible with thin brushes.

In my experience, spray-reducing regulations are often honoured in the breach, especially by the cowboys, like the unlettered Scania artic which rode in a cloud of mist of its own making two car lengths behind my back bumper at 65 mph on the M25 one soaking morning. As soon as a gap opened in the inside lane, I nipped in and let him by. Later, I overtook him, still doing 65 mph in his own private fog and still riding on a car's bumper. If the car had had to brake, nothing could have prevented a multiple nose-to-tail shunt.

What can be done? At the annual fitness test the anti-spray preventers are checked, but many lorries cover 100,000 miles a year and the devices get damaged between inspections.

Maybe they have the right idea in the US. I was following a truck-trailer rig in Georgia last autumn. Displayed on the back was the message: "If you see this truck operating in an unsafe manner, please call 1-800 553 8326." My congratulations to a public spirited JMI Transport Inc - and would the British road haulage industry, through its official bodies, please copy?

SM

• OUTDOORS •

Lawrence Garner battles with dem dry stones

Up against a stone wall

IT IS not actually raining today, so there is no excuse for not going to the Wall.

As a dry stone waller I skirmish with walls all the time, but most of them begin with a small "w" and are easily subdued. The Wall is different. It stands high on a Welsh mountainside, and from its starting point at a thousand feet it snakes its way up a 45-degree slope until it disappears in the mist.

When I took on the job of repairing it I knew that it was not going to be a friendly encounter, but there seemed to be good professional reasons for tackling it. After all, I was going to be paid for it, it was the sort of job that occurs once in a lifetime, a chance to use techniques that every waller ought to have in his repertoire. I may even have mentioned the word "challenge".

But lately I have given up trying to explain away what is obviously a grotesque enterprise. There is no rational reason why the Wall should ever stand again. No-one will ever come to look at it, and it could be replaced quite effectively by a fence.

But there is a compelling irrational reason. Somewhere around the beginning of the nineteenth century a farmer decided to define his boundary once and for all. Men sweated blood to build the thing, and those anonymous heroes deserve a better memorial than a disintegrating heap of rubble.

Judging by the size of some of the stones they manhandled there must have been at least four of them. They were not professional wallers - farm workers, probably, or casual labourers glad of a bit of work. Did they know what they were taking on?

They must have got out of bed on winter mornings and walked a mile or two in the absolute darkness of that remote countryside before making the final exhausting climb up a slippery sheep track. When they arrived they would have started the back-breaking business of finding their raw material.

When tourists set out their picnic tables in the lay-by far below and look at the steep climbing Wall they usually ask how the the stones were carried there. The answer is that they were not. Men scoured the mountainside picking up stones, and when those ran out they got out their picks and dug. If they wanted heavy slabs they hacked them out of the nearest rock outcrop.

From time to time I stumble into their miniature quarries hidden under the bracken, and it is an odd feeling to come across a heap of rejected stones and realise that they were last handled more than 150 years ago by one of those original builders.

It would be pleasant to continue in this romantic vein and say that I am restoring a miracle of craftsmanship to its former glory. Not so, I'm afraid. The Wall was a product ofthe Primitive School, which maintains that if the stones you pile up are heavy enough they will stay put for a long time regardless of how you lay them. The result was fat, lumpy, unscientific and destined to slide into ruin.

The thin structure I am putting in its place looks ridiculously lightweight by comparison, but then I have the benefit of the latest eighteenth-century technology. Those farm labourers, isolated in their Welsh valley, were not to know that further north, on either side of the Pennines, a new breed of professionals had developed an elegant technique that required half the stone to build walls that would last twice as long.

So that is what I am doing now, fitting together my slimline substitute and guiltily throwing away surplus stone that was painfully won by stoical labour. As I dismantle the Wall it fights back resentfully, tipping its precariously-laid stones on to my feet or suddenly throwing off the fine piece of slab I have earmarked for my new foundation. I curse as I watch it bounce gleefully downhill for several hundred feet. I curse as I nearly follow suit, scrabbling for a foothold on the slope...

But I am winning. The new wall is inching its way uphill. When the wind is in the right quarter I can hear Welsh voices muttering in ghostly derision, and I know what they are saying..."Skimpy thing like that - it'll never stay up." It will - but unfortunately I won't be around to say "I told you so."

Lawrence Garner

BRIDGE

TODAY we shall deal with the problems of East and West,and offer some hints for the defence. Both hands occurred at rubber bridge,and we start with People who Count.

N
♠ Q J 8 2
♥ A Q 6
♦ J 10 9 4
♣ 8 4

W
♠ 9 6
♥ J 7 3
♦ A 5 3
♣ K 10 9 7 2

E
♠ 10 5 4 3
♥ 10 9 5 4
♦ 7 6 2
♣ A J

S
♠ A K 7
♥ K 8 2
♦ K Q 8
♣ Q 6 5 3

North dealt at a love score, and after two passes South opened the bidding with one no trump. North said two clubs, and after South's response of two diamonds jumped to three no trumps on his good 10 points.

Against the nine-trick contract West opened with the seven of clubs, East won with the ace and played the knave, South following with the six. West was a good player, and he did what every player must do - he counted the points around the table. He himself had 8, dummy had 10, and East had produced 5. Therefore South must have the remaining 17.

The declarer could run four spade tricks and three hearts,not four because he had denied four cards in both major suits. It was quite likely that he held four clubs,so instead of playing low on the club knave, and waiting for another club which would never come, he overtook with his king, and returned the 10. He could afford to concede one club to the declarer - that would not give him his contract - and this would enable him to score four clubs and the diamond ace. Had West not overtaken,the declarer would have sailed home without any problem.

We cannot call this defence difficult but you know and I know many Wests who would have played a low club at trick two. They just cannot count up to five.

Now let us study Anti-duck:

N
♠ J 7 5
♥ K Q 3
♦ 5 2
♣ A K Q 9 6

W
♠ Q 8 6 4 3 2
♥ 10 5
♦ Q 8 7
♣ J 3

E
♠ 9
♥ A J 7 6 4
♦ 9 6 4
♣ 10 8 4 2

S
♠ A K 10
♥ 9 8 2
♦ A K J 10 3
♣ 7 5

With North-South game, North dealt and bid one club, South replied one diamond, North rebid two clubs, and South, certain that his partner must hold something in hearts, bid three no trumps.

Instead of starting with a spade, West was inspired to play for his partner's hand and led the 10 of hearts. Declarer covered with dummy's queen, East shrewdly played the seven – an essential duck – and South came to hand with a diamond to his king. He now led the five of clubs, intending to finesse dummy's nine, to make sure of four tricks against a 4-2 break. West, however, – it really was his day – did not slavishly follow with the three, but played his knave, an excellent anti-ducking play. Unable to allow West to hold the trick, because another heart lead would be fatal, declarer had to win on the table. He cashed two more clubs, just in case West was pulling a fast one but East turned up with four cards in the suit. Now South turned to diamonds, and finessed his knave, but West won and returned his remaining heart to defeat the contract by two tricks.

Full marks to East-West for a great defence but no marks to the declarer. He could have avoided the shameful result by allowing West's heart 10 to hold the first trick. This duck cuts the lines of communication,and declarer can take the diamond finesse without danger.

E.P.C. Cotter

The answer lies in the soil for Jeremy Cherfas

Chalk it down to history

THE NATURAL history of the British countryside is almost everywhere an artificial history. Practically all of the landscapes we enjoy, even remote moorlands and old oak forests, owe their existence to the activities of people, chopping trees in the one case, planting and managing them in the other.

Perhaps the best known are the chalk grasslands. Chalk grassland – the downs of southern England – is the classic example of a landscape that depends on people. The last Ice Age ended some 10,000 years ago, when the chalk hills and escarpments became covered with trees. About 5,000 years ago, along came Neolithic farmers who cut the trees to provide cattle grazing. That started the process that culminated in the vast sheep-covered downlands of the 17th Century.

The difficulty with this story – especially the timings – is that evidence is scanty. Palaeo-ecologists, who decode the history of landscapes, get some of their best clues from pollen grains, which can survive extremely well and tell a trained eye exactly what plant they are from. On chalk grasslands, however, the palaeo-ecologists are thwarted by the very landscape they want to study. Chalk and limestone are porous, so water seeps through without forming the lakes or peat bogs that might trap and preserve pollen from earlier times.

Recently, however, two scientists based at Hull University have discovered a site in the Yorkshire Wolds that throws newlight on the history of chalk grasslands. It is called Willow Garth, and it is special because rains often cause a nearby stream, the Gypsey Race, to flood and create a pool. Beneath that pool is peat, formed from the plants of the neighbourhood, and within the peat are pollen grains.

Radioactive carbon left in the peat provides a clock, which says that the deposit runs from about 11,000 years ago to the present day, with an unfortunate break between about 8,000 and 4,300 years ago. In the lowest, oldest, layers the pollen is from cold-climate plants such as spring gentian and purple saxifrage. About 9,300 years ago birch trees put in an appearance; the climate was getting warmer. The birches are joined by pines and oaks, hazel and elder, but none of the trees ever dominates the area. Instead, there is a great deal of pollen from grasses and flowers typical of grassland, such as plantains, bellflowers, various vetches, and birdsfoot trefoil.

Although the fields around Willow Garth are now arable, they have soil typical of grasslands. The pollen trapped in Willow Garth shows that trees never really covered the landscape after the last Ice Age. Why not? Probably because people followed very closely behind the retreating ice, cutting the trees they found, grazing their livestock, and harvesting seeds from the fat hen, orache and oats that thrived in these conditions. If we can believe the peat of Willow Garth, some grasslands are thus much older than we previously thought. They still needed a helping hand from people, but those people might well have been on the scene for 9,000 years, rather than the 5,000 years commonly assumed.

Long before woodlands covered the country, agriculture had created chalk grasslands, one of the most complex habitats in the country. Throw down a metre square on old grassland and you may find more than 40 different species of plant crowded together. That profusion depends, paradoxically, on the very poor soil above the chalk. No single species can do better than any other, and so a wild variety of plants all eke out a living together; dropwort and rock-rose, horseshoe vetch and field fleawort, buttercups and cowslips.

Plough in fertilisers, and you make it impossible for most of those plants to survive. A few grasses grown for hay, thereason for the "improvement," smother all the other flowers. The result is a green desert. The story offers hope, however, to anyone who wants to see those green deserts bloom again with downland flowers. If people created chalk grasslands, and destroyed them, they can recreate them.

So far this century, and especially since 1945, governments have encouraged farmers to bring ever more marginal lands into production. That is why downland is one of our most threatened habitats. Now, it seems, changes in the Common Agricutural Policy could reverse that trend. Indeed, money may even be made available for farming practises that are not strictly economic but nevertheless benefit conservation.

How fortunate, then, that a group of ecologists at Oxford University is studying the best way to get back from arable to downland. Their site is a field in Wytham Woods, near Oxford.

And sheep may safely graze ... on chalk grassland

They discovered that simply leaving a field fallow is not enough. It will be invaded by coarse grasses and shrubs, not grassland flowers. Some grazing is vital, although the exact details are unimportant. Grazing, whether by many sheep for a couple of weeks or fewer animals for longer periods, is what allows downland plants to come in and multiply. With the plants come butterflies; dark green fritillaries, brown argus,marbled white, fluttering above the flowers where before there had been only couch grass, cocksfoot and rough meadow grass.

The change was far swifter than anyone expected. Within just a couple of seasons, the grazed plots contained 212 different species. More than half of the permanent grassland plants present in neighbouring areas of "unimproved" grassland quickly arrived in the grazed areas. These included some very rare species.

Putting animals out to graze on old pastures is quite compatible with normal sheep farming. Some ewes are barren, and can manage well on poorer pasture. Breeding ewes need to be "dried off" for a while after the lambs have been weaned, and downland is quite suitable. It is, after all, where their ancestors thrived when the emphasis was on wool rather than meat. No farmer could afford to tie up a large part of the land in restoration schemes, but if the most marginal arable land were given back to sheep, people could again enjoy the stunning profusion of wildlife on the old chalk grasslands. It may not be natural, but nothing is.

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• PROPERTY •

The housing industry can be sexist, but in one company women play a major role, says John Brennan

Building on female expertise

WHEN A building company bears the name of its founding chairman, and the chairman is sufficiently flamboyant to have moved from doing half the jobs on his own sites to restoring and flying a collection of Spitfires, there would not seem to be much room for another forceful character in the business. But, in the case of housebuilder Charles Church, there is – his wife, Susanna, company co-founder and active director.

This would not be at all unusual in most other industries. The stock market has become littered with successful husband and wife teams, yet precious little equality has squeezed between bricks and mortar. Not to put too fine a point on it, house building is an overtly sexist industry.

On the one hand, there are few industries that have remained so male-dominated. On the other hand, women have not loosened their traditional lead role in home-buying decisions. That role that has, if anything, been reinforced over the years as more single women buy their own homes. Still, it is the woman who remains - in the uncharmingly graphic words of the relocation specialists - the "trailing spouse" in most husband and wife households.

Susanna Church's way of getting an even footing in this misogynistic trade was "making sure that I never learnt to type, so I did not end up doing Charles' secretarial work." Instead, she became the business's one-woman after-sales service, a link with home buyers that has developed to become as important a part of the pre-planning of a house as a quality check on the completed job.

In the mid-1960s the couple sold their home in Camberley, Surrey and moved, with their young family, into a hut to finance their first new-built houses. Customer contact then was a matter of a trip down the road to chat with new owners and see if everything was alright. As the business grew, a more formal system evolved, where quality control and after-sales form a circle of information and response that feeds owners' experiences of Church's house designs into the forward planning process.

Keeping close to customers is second nature in all housebuilding groups. They are only too conscious of the fact that designs and specifications have to keep pace with buyers' ideas of what makes an ideal home, or they risk covering expensive sites with hard-to-sell buildings. Charles Church's buyers have, in effect, been unofficial members of the design team since the couple built their first four houses.

At one end of the process, says Susanna Church, "talking to people is the best way of seeing how individual houses behave, so we call on people some months after they have moved in and ask them how they feel about the house.

"That leads to design alterations in later houses, details such as the way doors are hung, where the TV points are, positioning of electricity plugs and so forth as well as specifications for the houses."

As the business has grown, so has the after-sales department, now run by Valerie Reed. A permanent maintenance team has been added to back-up the various building contractors' staff on the company's sites. She deals with homebuyers' calls covering far more than the usual crop of teething problems with newly-built houses. Landscaping and problems with neighbours also come into Valerie Reed's territory. She spent time on site as a finishing foreman to get a clearer understanding of what can and cannot be done to a new house before dealing with buyers' problems.

In her time handling calls from new owners, Susanna Church found that, "the people who do run into problems seem to be those who, months after they have moved into a house, are still disorganised.

"I remember one call from people who had found a single screw loose in a door hinge quite a time after they moved in. Obviously that's something that shouldn't happen, but, really, you would expect that most people would have got a screwdriver out and tightened it themselves."

Making sure that the screw is tight in the first place would be the responsibility of the other, quality control side, of the operation. Another woman builder, Marian Brewer, took over the day-to-day management of that job in the late 1970s. Since then her work has moved further down the planning process so that it now includes selecting the type of brick and tile finishes to be used on each new house, as well as choosing and ordering all the fittings, from kitchens to built-in wardrobes.

When the contract builders have finished a house Marian Brewer's quality controllers go around completed houses with a checklist to see that everything fits - and that all those door screws are tightened properly. After that it's over to the after-sales staff.

It is a far cry from the "build it, sell it, move on" days of housebuilding. But even with the most detailed market research every new house style is, to an extent, a gamble. That's why current house designs, at Charles Church, just as at virtually every other housebuilder's, seem to start and finish in an "olde English" form.

Most of the large back gardens and other odd sites so expensively won from the planners for new buildings now end up as carefully landscaped estates of timeless mini-mansions. The sight of executive housing estates filling up with variations on a "Tudorgian" theme should make any creative modern architect wonder why they didn't go in for law. But maybe the creative architects did all end up at one bar or another because, as Susanna Church says: "We'd love to be able to build an ultra-modern house that people would buy, but I've never seen one that would sell well. Traditional homes are what people want."

Exteriors evidently need to conjure up images of some idyllic country home to attract the buyers. Knowing what people want inside their houses in terms of lay-out and fittings is more complex, since it calls for a combination of experience in dealing with past buyers, and, according to Susanna Church, imagination.

Susanna Church: making up a fictional family for every show house

Marian Brewer: choosing the bricks and tiles as well as the kitchens

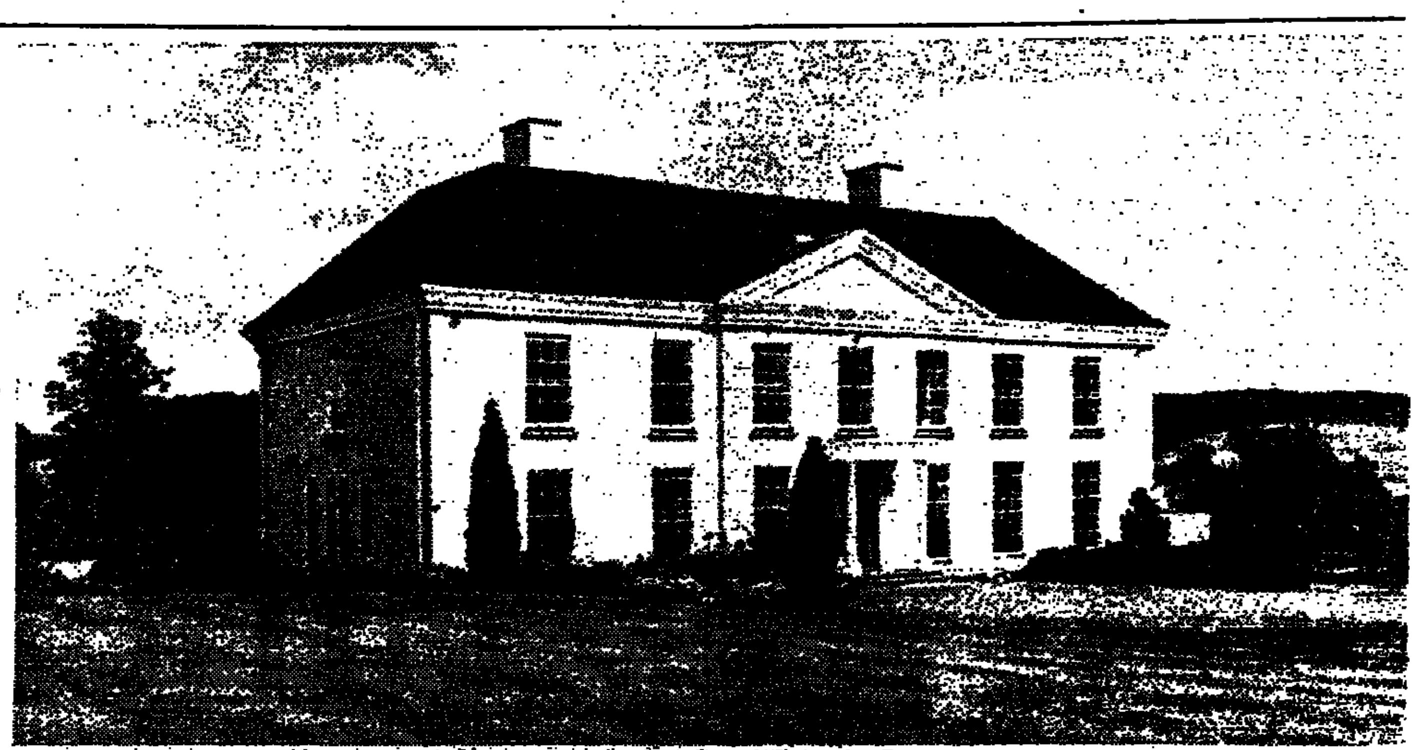
"You have to imagine you're living in a house to get a feel for it," she says, "and when we have a new house type and we are setting up a completely fitted showhouse, you have to imagine the type of family that it might appeal to."

These notional home-buying families can be surprisingly specific. In one showhouse Susanna Church had thought through the interior for the family of an airline pilot, with a wife who has a part-time job and a couple of young teenage children. Having defined the target market, the showhouse was then designed to appeal to that imaginary family.

Church's women builders expect to have to fit out as many as 80 show houses on different building sites next year. The task of designing each one around individual fictional households suggests that housebuilding has become a good deal more creative than just piling up bricks in the right order.

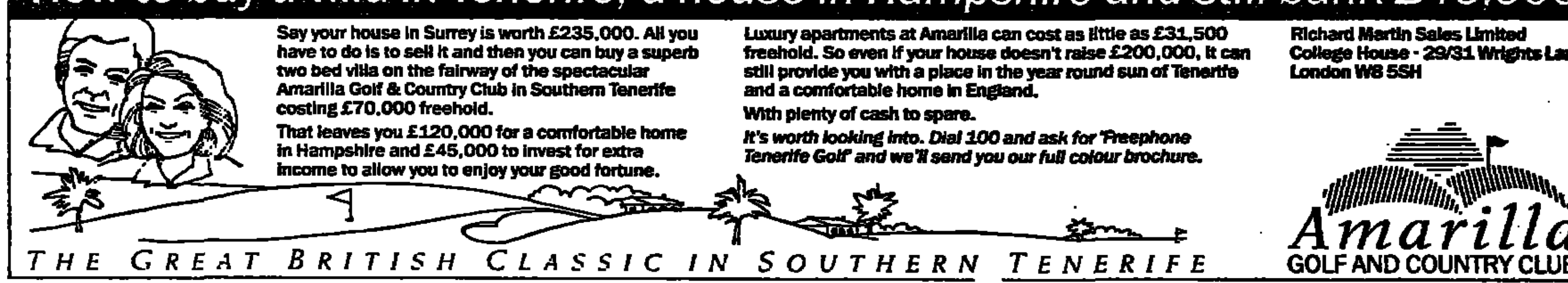
A stylish manner of imitation

A NEW, or at least nearly new, Georgian country house is something of a rarity. Although Lower Park House, in the grounds of Shardeloes Estate, near Old Amersham, Buckinghamshire, is only Georgian-style, it gives a highly respectable imitation of the real thing for a 14-year-old building. Permission to build the house dates from the 1950s when it was planned as as a dower or estate house. Now, Hampton & Sons' (04946-77744) and Hetheringtons Nationwide (02403-5711) are joint agents. They are looking for around £1.25m for the five-bedroom house, with separate staff flat, set in seven acres of gardens.



International Property

How to buy a villa in Tenerife, a house in Hampshire and still bank £45,000



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London Property

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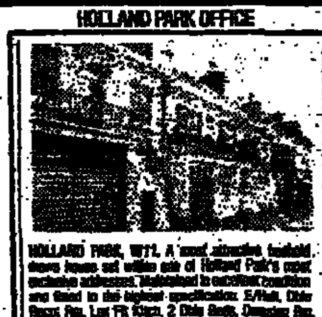

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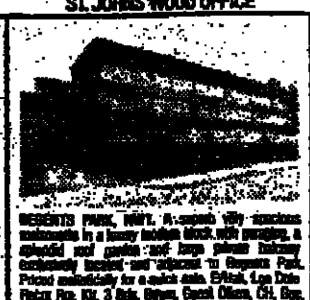

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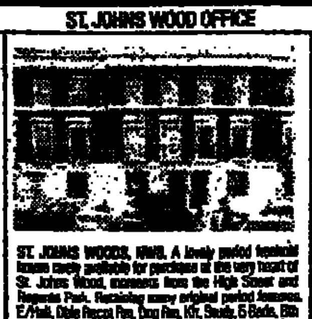

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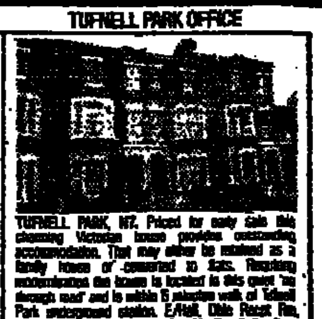

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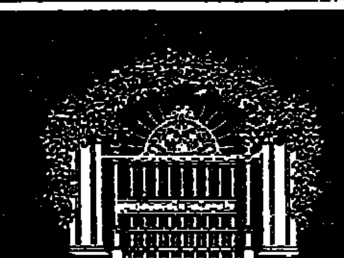

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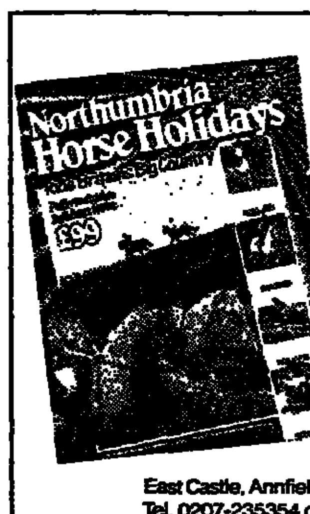

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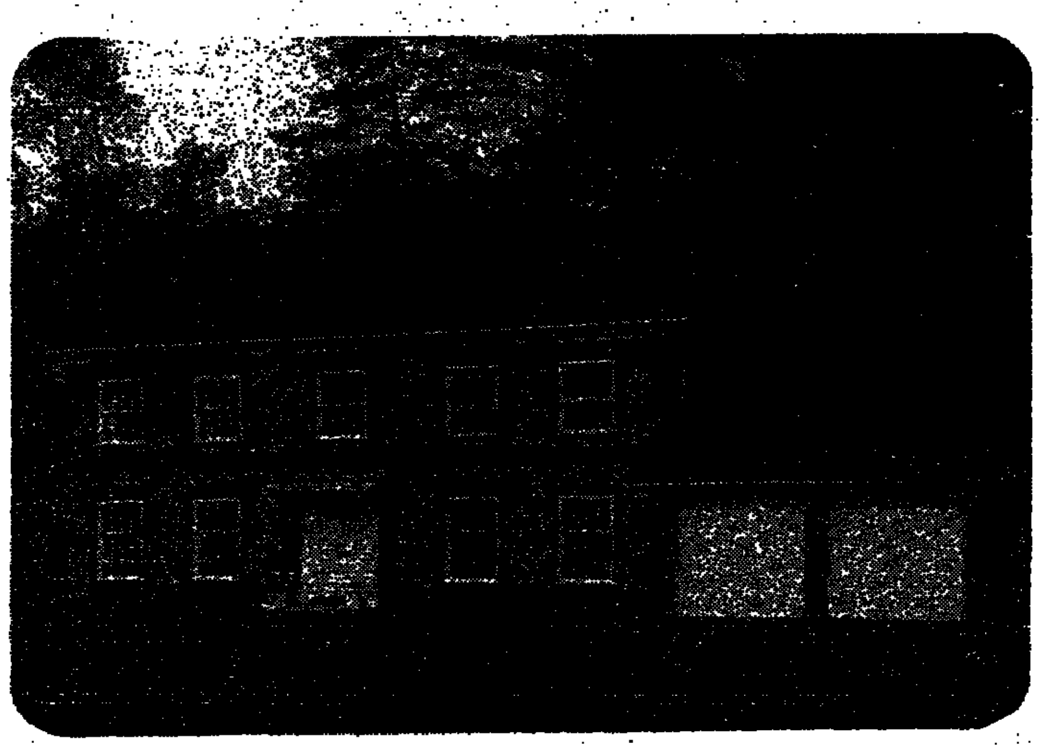

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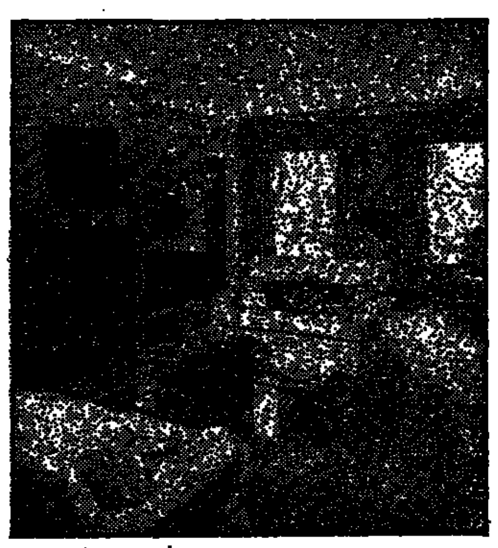

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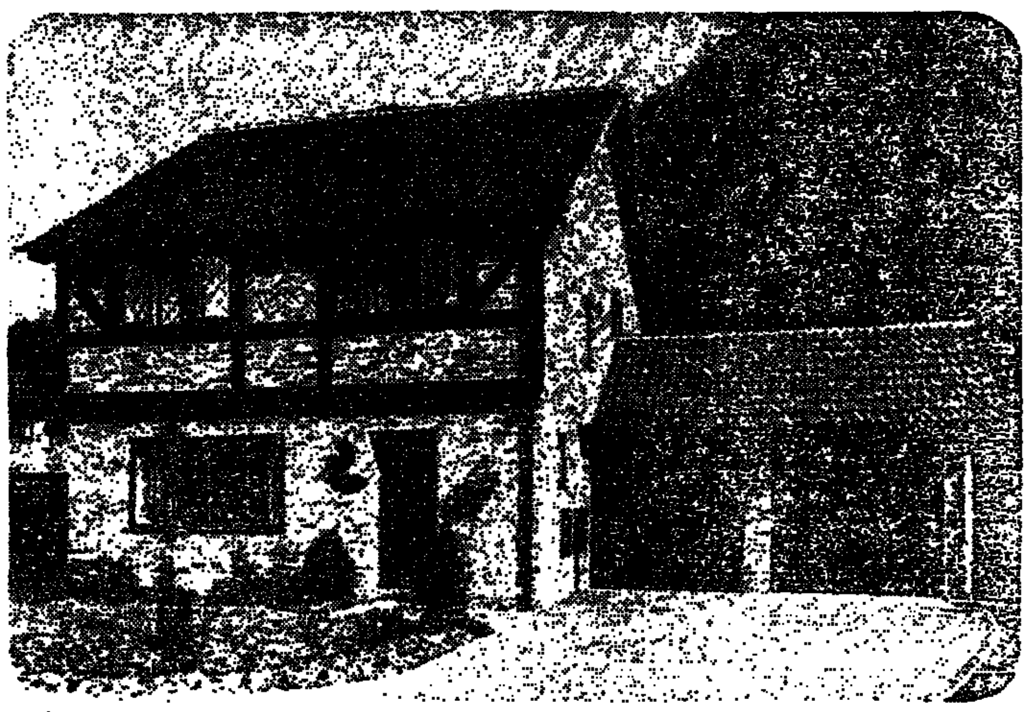

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Gerald Cadogan looks at the implications of owning a listed building

The pitfalls of gracious living

WHAT DOES it involve to own a listed building? Nowadays agents hymn the certificate of Grade II, or better II*, or best I, and owners generally are proud. But it means they are legally bound to maintain the property, and councils have draconian powers to ensure they do. So it is a shock to discover that for most people the only compensating advantage is VAT relief on work which receives listed building consent and can alter a building's character but not on essential painting and plumbing.

Altering the character means, in effect, destroying some of what is there, although that is what led to the building being listed. Destruction has VAT relief. Regular building maintenance does not though some owners get a little help from council grants, or even English Heritage. The tax treatment is absurd and irritating. The sooner the Chancellor gives VAT relief on maintenance the better. He could exclude additions. But additions, whether a swimming pool near the house or a new bathroom, might well need listed building consent - qualifying for VAT relief anyway.

The fieldwork for relisting is almost done, but many owners still have to hear that their properties have been put on the statutory list by the Environment Secretary. The local planning authority, a district or London borough council, informs the owner. Afterwards, listed building consent is needed for character-altering works. Before the statutory list there is a draft list of buildings awaiting DoE approval, which is something to keep in mind if you are buying a house where owners have not been notified. The transition from draft to statutory was intended to be quick, but there are now considerable delays. The council has the draft lists, but may not disclose them. They do not have the force of law.

To make changes to a house that looks listable but is not yet listed, you have only to ask for planning permission, not listed building consent. That may be to your advantage or disadvantage. It could be useful to suggest to the council that the building be spotlisted, which would trigger listed building consent and VAT relief. The council may itself decide to spotlist a building, so that its intended listing will have a proper effect. Or it can issue a building preservation notice, which gives protection for six months and time to make the decision about its being listed.

Make sure your solicitor asks in the searches about listing. If the house has reached the statutory list, you may like to ask for a photocopy of its entry. The lists are published as a long series of "green books", which can be inspected at the council offices or at the DoE. You will find useful dispassionate information in Pevsner's guides.

For work beyond maintenance you are likely to need planning permission (for which councils charge fees) and listed building consent (free). Listed building consent is also needed for demolition. If your application for either is turned down, and you cannot come to an accomodation with the council, there is the right of appeal. Parish councils, local and national bodies, and the public can make representations about building consent applications to the council.

Notices are posted near the buildings and in local papers. The council may decide to seek expert advice, such as from the Victorian Society and the Georgian Group. English Heritage is consulted only on major decisions, including I and II* demolitions. The Royal Commission on Historical Monuments is also consulted about demolition, in case the building should be recorded. The VAT rules lead to grey areas. How do you define the character of a building and altering it?

Two current problems are thatched roofs and UVPC windows. These new windows can reproduce glazing bars but are flat, which destroys the depth in the house facade. Is the council to allow them, VAT free, or insist on traditional wood? It is a more serious issue than it seems at first because it is difficult to say no when dealing with the particular. On the other hand a tour of old villages will show that they do in fact affect the character and general look of a place. For thatch the problem is whether to insist on reed and not straw, or vice versa, whichever is the local material. Reed is hard-edged architecture. Straw gives the tea cosy look.

Reroofing and dry rot are the worst parts of maintenance - I write from the heart, and purse. Some grant aid is available for II and II*, but it is very little. Our local council gives a maximum grant of £500 (or 25 per cent of the cost), which can be matched by the county council to make £1,000. To apply for grant aid you need listed building consent. An alternative that may be more fruitful is to go to the housing department and see if you qualify for a housing repair grant, paying up to 90 per cent of the cost of specified work. Other possibilities are town scheme (for places such as Bath) and conservation area grants. Talk first to the council concerning those.

If you have a truly special building, which is likely to be I or II* and defined as one of outstanding architectural or historic interest, English Heritage may help. Last year it made 238 offers of aid (known as section 3a) for a total of £7.6m. A call to a consultant such as Mr Norman Hudson (029575-750), technical adviser of the Historic Houses Association, may be of great benefit. He helps owners to prepare applications and agree conditions - including some public access - and find alternative sources of income. The law's intent is to make the owner responsible for keeping a listed building sound. If you fail to do that, the council has strong powers.

It may serve a listed building enforcement notice, demanding that you do things properly or restore the building to how it was. The notice has penalties: three months or up to £1,000, or both, for summary conviction; up to 12 months or a fine, or both, if indicted. The council may also serve a repairs notice with a detailed schedule ordering you to do the work in two months. Councils hope, of course, that the threat of a repairs notice is enough. If you do not comply with the notice the council may make a compulsory purchase order. If the building is unoccupied, they can serve notice that in seven days they will start work themselves and send you the bill. Finally, if you allow a listed building to deteriorate in the hope of being allowed to redevelop the site, the council can acquire the building at a price that excludes redevelopment value.

With such rules it is wise to look after the building and to lobby, as many have done, for essential change in VAT rules or similar relief. The most recent advocate has been the Commons select committee on the environment. (We still await the Government's response to their report which came out months ago.) Spare a thought for the councils. It is clear that in a year or two listed building consent will mean an enormous addition to the planning officers' and councillors' work, and many decisions that will be far more difficult than saying yes or no to a new house.

What's worth saving

HOW did the new listing come about? It began in a slow way in the 1970s, and speeded up only on the initiative of Mr Michael Heseltine, Environment Secretary, after the demolition of the Art Deco Firestone factory on the Great West Road one Bank Holiday weekend in 1980 when the building was about to be listed. By now about 418,000 buildings have been listed and by 1989, when the listing of pre-1914 buildings stock should be complete, the total will be about 500,000 or 2 per cent of the country's stock of buildings.

A start has been made on listing buildings from 1914 to 1939, of which the red telephone boxes are the best known examples. A rolling 30-year rule has recently come into effect, by which any building of high quality of 30 years old or more is eligible. Bracken House, in Cannon Street, London, the home of the Financial Times (Sir Albert Richardson, 1956-59) was the first under this rule and given grade II*; but Shreiber House in Hampstead (James Gowan, 1963-64) was turned down, despite being championed by English Heritage.

As with the best restaurants in the Michelin guide, there are three grades for buildings: I, those of exceptional interest, only about 1 per cent of the total; II*, particularly important buildings of more than special interest, about 4 per cent; and the rest are II, of special interest and worth the effort to preserve them. There used to be a III, but that had no statutory force and is now obsolete. Most of the old IIIs have become IIs, especially if they have "group value".

What buildings are eligible? All before 1700 that survive in anything like their original state; most between 1700 and 1840; and those of quality and character between 1840 and 1914, particularly if they are by known architects.

English Heritage is preparing a list of the 50 best buildings between the end of the war and 1958. Within these periods the inspectors look most for buildings of special value to architectural, planning, social or economic history. This is a broad group that ranges from country houses to pubs, prisons, theatres, markets, railway stations and telephone boxes. They have also gone after buildings which show special technology in, say, cast iron, or early use of concrete, or cruck cottages (listable also on grounds of age). Then there are buildings with historical associations and, finally, the towns and villages with group value.

Both English Heritage staff and private architectural firms are doing the fieldwork. Using companies under contract has pushed it all along. One firm is Clews Architects Partnership of Great Bourton, near Banbury. It has tackled three counties, Northamptonshire, Oxfordshire and Warwickshire, with a sophisticated data base system it devised to record the information on microcomputers.

Fieldworkers from private companies, generally architects or architectural historians, accompany English Heritage inspectors and make suggestions, after a thorough reconnaissance. Before that they write to the parish council and big landowners to say what is happening and ask for help and advice. Once likely candidates have been identified fieldworkers study them and write descriptions. A few buildings will be added or dropped.

The new listing has gone well, apart from the delays in issuing the final statutory lists. In the beginning there were problems with owners, but fieldworkers are instructed to have an emollient attitude. Surrounds of houses have been a headache. The term "buildings" may include garden walls, jetties, water troughs, gazebos and even statuary. Separate notices of listing arrived for our Victorian rectory. One is for the house; a second for the wall and gatepiers at one entrance; and a third for the right gatepier at another entrance.

Another and rarer problem has occurred with original fittings that are movable, and do not qualify for listing. Farnborough Hall, Warwickshire has a splendid collection of Roman emperors' busts in the hall and on the staircase, as part of the original 18th century scheme of decoration. Yet their owner is sending them to auction after Stratford district council deemed that listed building consent was not relevant. This is much to the distress of the National Trust, and English Heritage. It illustrates the limitations of listings.

If you do not like being listed - most people do - there is no appeal. Listing is intended as an objective statement on behalf of the public about the quality of buildings. If you do wish to object write as soon as possible to Listing Branch, Department of the Environment, Lambeth Bridge House, London SE1 7SB, suggesting reasons why your house should not be included. Bear in mind that it has been assessed by experts. A few are removed from the list. You will receive a recorded delivery letter giving notice of listing.

Robin Lane Fox on confused plants

The silly season

VIOLETS are flowering all over the place; primroses have forgotten the season; the mild weather has been marvellous for scented mahonias and I now have a pear tree which is thoroughly confused.

Just before Christmas it dropped the last of its glossy green leaves; two weeks later, its bare stems were showing white flower-buds, some of which have opened, whereupon some young green leaves were so stupid as to reappear. The poor thing has lost all sense of time and it will have to be certified if it goes on to produce fruit.

The point of this particular variety, Pyrus Chanticleer, is that it is such a charming tree for a walk, avenue or slightly formal line. It has a neat upright shape to about 15 feet, clear leaves which reflect the light and showers of white pear-blossom in spring. No fruit means no wasps and frankly, I do not miss them. If Chanticleer starts fruiting after waking up so early, it will not be living up to its high reputation.

This year, anyone can see the point of winter flowers and I hope that more people will choose to grow them. Once again, the best of the bunch is the winter-flowering cherry, that wonderful tree which is suddenly at its best, after a dull end to last year which made me wonder if it was not about to give the season a miss. Usually, there are flowers in November but this year, Prunus Subhirtella Autumnalis has waited until January before covering itself in its delicate haze of pink-white flowers.

It saddened me to read recently that the winter cherry would not be noticeable "if it flowered in high summer." You would have to be imperceptive to agree. Its flowers are not large, but they are so abundant and so prettily carried that it would always stand out among the other heavier cherries, especially if sighted against a dark background.

The ideal place for a winter cherry is a site a few yards in front of a dark green hedge or, best of all, a yew tree. The cherry flowers without its own leaves and although it is lovely in any front garden, secret garden or back yard, it shows up magically against an evergreen frame. Anyone can grow it and if you cannot accommodate a tree, you can buy it more cheaply as a bush and use it for filling in a border or beside a shed.

Mine flourishes in a space

between the pavement and the front area where we dump the dustbins and park the car. Having flowered once, it often flowers again upon slightly longer stems, continuing the season until April. It makes a good cut flower and can be pruned to suit its position and remain a modest tree. Left unpruned each spring, it will eventually make a tree some 25 feet high, but it is slow-moving and never overpowering.

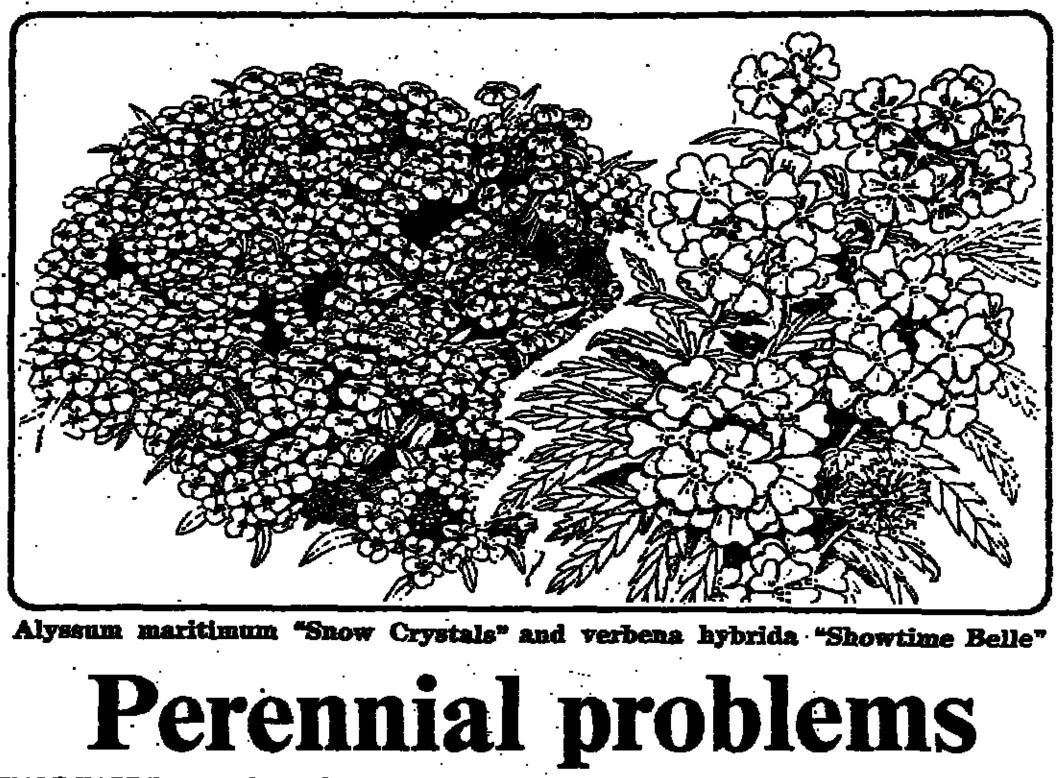
Near it I like to see hellebores. Last weekend, I thought that pieces of white paper had blown into the border; in fact, they were flowers on the Christmas Roses which I had inherited from a former owner, already open before I had noticed them. The one fault of the Christmas Rose is its shortness of stem, which puts it at risk from wet weather and splashing from the earth. One easy little trick is to bank earth up its stems when they first show in order to encourage them to lengthen, like leeks.

It is a lovely flower, but the best sights in the family are selected forms of the Lenten Rose. To find the best, you have to go to specialist growers and pay the prices which their years of work and selection rightly command. The most carefully chosen varieties are sold by Helen Ballard, Old Country, Mathon, Malvern, Worcestershire, whose family has given famous names to some of the best forms on the market.

You have to book your hellebore and hope for a vacancy, as if you were putting down a child for a private London day-school. After a while, you may reach the top of the list and receive your own piece of roots and unpromising greenery, potted and grown on from a named parent. Never judge a decent hellebore until at least three years after planting, because they are slow to develop their true colour and size. It is worth waiting, because these Lenten Roses will go on to spread and increase into unimaginably large clumps during the rest of their long lives: eventually, one plant goes a long way.

Hellebores move best between late February and April, while they are still growing strongly. After seeing the best colours in flower, you should order them immediately. This year, I am spurred on by the first flowers on a selected slate-blue variety called Hades and so I have put in for four less sombre varieties to see me cheerfully through the 1990s.

There is only one secret to growing them – apart from patience – a rich soil and some light shade. Sometimes, the young flower stems are attacked by a fungus, perhaps specially in cold, wet soils. I used to wonder what was beheading them just when they were about to show. Having learnt the cause, I now spray them with the fungicide Benlate and cut off their old leaves just before the New Year. Otherwise, even the mildest winter will not bring the best out of a clump of promising young buds and you may wonder if I, like my pear-tree, have not lost my senses in this extraordinary season.



Alyssum maritimum "Snow Crystals" and verbena hybrida "Showtime Belle"

Perennial problems

Arthur Hellyer on half-hardy flowers

HALF-HARDY annuals and those half-hardy perennials now commonly grown from seed as if they were annuals include many of the longest-flowering plants in the garden. There are: antirrhinums and geraniums; impatiens, a plant that is at the moment one of the favourites with the big commercial plant breeders because it will flower in the shade; begonias; petunias; nicotianas; French and African marigolds; hybrids; verbenas, restored to popularity after a period of neglect; what we still call scarlet salvias, though their colour range has been extended to purple and creamy white; ageratum to hug the ground; dahlias to stand up stoutly; gazanias for warm sunny places; and a good many more.

They do not have to hurry their lives like the hardy annuals of the temperate regions because all have been derived from plants that grow wild in the tropics or sub-tropics. There they can grow all the year and go on flowering for months at a time. This relaxed approach does mean that they must be given time to build up to flowering size. In Britain this means that seed must be sown early, some kinds during January and most by the end of February.

Their seed also requires quite high temperatures for germination; for geraniums 24C (75 F); for impatiens not much less, plus high humidity and full light; for begonias much the same, plus surface sowing because the seed is so small; for salvias the same but the seeds must be in full light. One really needs a self-heated propagator for this kind of thing, though for those kinds that germinate well in the dark much can be done in an airing cupboard. I find the chief danger here is that I forget to look at the seed pans daily and in the high temperature and complete darkness the seedlings can become long, thin and white very quickly. They need to be removed to a cooler, lighter place within a few hours of germination, and then one must be careful that the change of conditions is not too great.

There are alternative ways of starting. One is to purchase seedlings while still in their seed pans. This is a fairly new method of marketing, but several seed companies offer such seedlings, though the range of varieties is quite limited. The plastic seed cartons used are likely to contain anything from 100 to 250 tightly packed seedlings, according to the size of the seeds and the density of sowing. Usually, they are priced at between £6 and £8 per carton, which works out at 3p to 8p per plant.

Seed to produce a similar number of seedlings would probably cost at least £1 but there is such great variation in the price of seeds that it is impossible to be precise. Seedlings at this stage offer good value for money, especially if one needs a lot or can share them with friends. However, it must be borne in mind that they will arrive some time in April, when nights can still be very cold and that they will come straight out of a propagating house with temperatures similar to those I have just described. Consequently, they will need some artificial heat for several weeks, while they are being acclimatised. It would be unwise to let the temperature drop below 15 deg C (60 deg F) at any time for the first two or three weeks, and that means a good heating system or, more economically, a self-heated frame placed inside a greenhouse or conservatory.

Most seedsmen insist on early ordering because of the very limited delivery period. For some varieties this can be as early as the last week in January and almost everything by the end of February. The alternative is to purchase seedlings that have been transplanted and are delivered in little plugs of peat compost, ready for potting. They are larger, tougher and better able to look after themselves than untransplanted seedlings, but they cost three or four times as much. Compensating factors are that losses are likely to be less and, because the packs are smaller, it will be easier to relate orders more accurately to requirements.

The third alternative is the traditional one of purchasing plants sufficiently large to be planted directly outdoors where they are to flower. By this stage they should have been properly hardened off but it is difficult to be sure of this unless one knows something of the plants' source. Many will have been purchased in markets or acquired in quantity from wholesale producers of whom there are many. Unfortunately, it is the plants that look most lush and attractive and are carrying most flowers that are least likely to have been fully acclimatised for outdoor planting. It is usually better to buy from a nursery or garden centre one knows than from a shop which only handles plants as a brief seasonal trade.

The other danger is to plant too soon. Such plants begin to appear in April, long before it is safe to plant out any but the hardiest kinds. Even the first three weeks in May can be risky except in the mildest places, since severe radiation frosts can occur on still cloudless nights. The last week in May and the first fortnight in June is the ideal period for planting out the summer bedding being both safe for the plants and giving ample time to deal with the spring bedding plants that have preceded them.

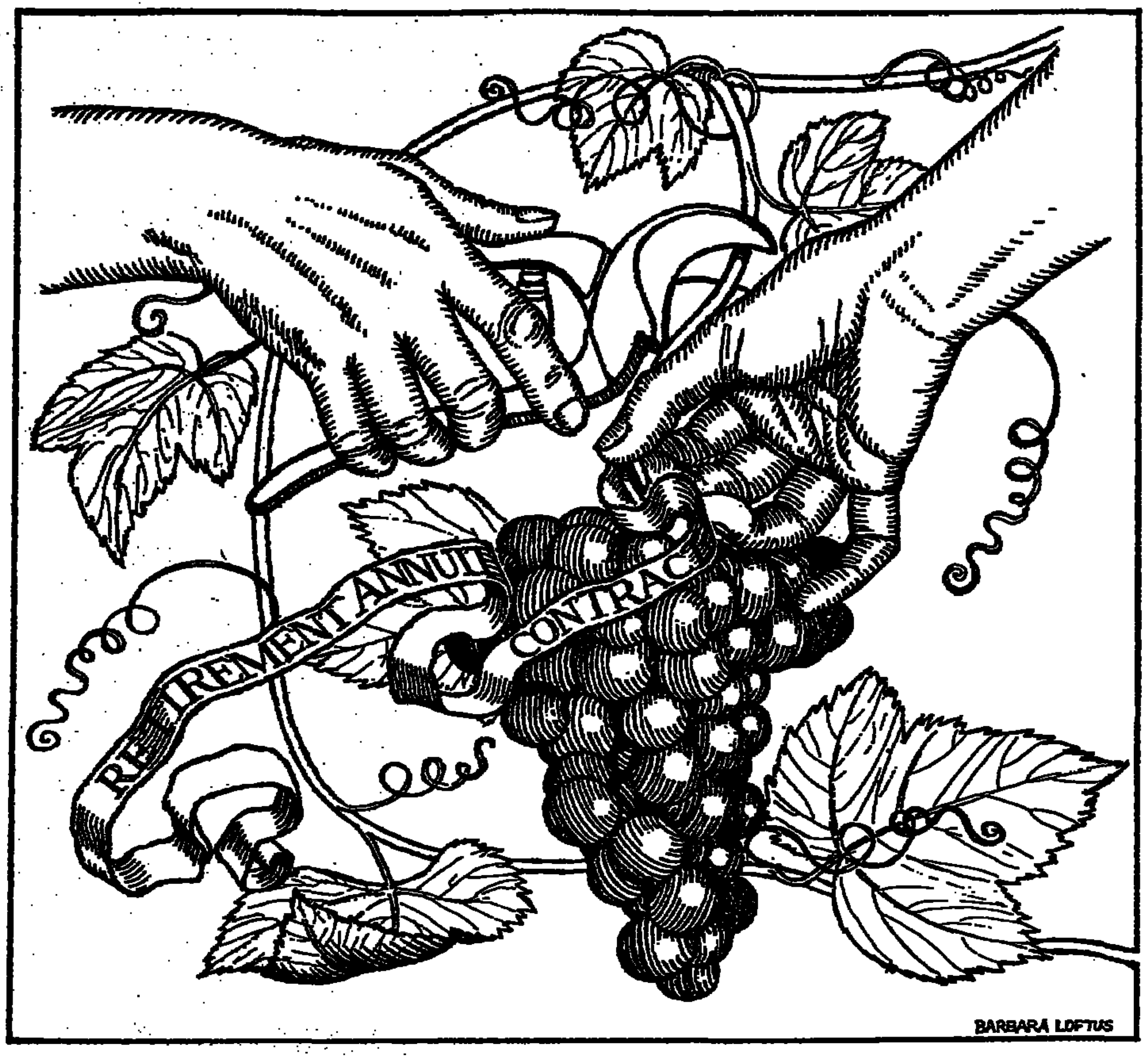
None of these alternatives offers the range of varieties availabe from seed, and it is almost impossible to buy any of the newcomers that are introduced every year, such as two verbenas, Showtime Belle and Sandy Scarlet, and a dwarf dahlia named Sunny Yellow, which were all award winners in Fleuroselect trials and are introduced for the first time this year. Showtime Belle makes a wide low plant covered in carmine flowers. Sandy Scarlet is half the size, far more compact, and a pure red lacking the dash of blue that gives Showtime Belle such a kick. Dahlia Sunny Yellow grows 30 centimetres high, and covers itself in bright yellow, semi double flowers. There is also a new Fleuroselect award-winning white alysum named Snow Crystals, which can either be treated as a half-hardy annual raised under cover and then planted out, or be sown in April outdoors, where it is to flower.

Country Property

London Property

FINANCIAL TIMES SURVEY

Marketed under a variety of names, retirement annuity contracts have been available for over 30 years. Now they are being replaced by personal pensions. But, until July 1, employees and the self-employed have a final opportunity to use these contracts in their pension planning. Eric Short explains



Offering the chance of a lifetime

Retirement Annuity Contracts

FOR OVER three decades, retirement annuity contracts have been on the pensions market. They enable the self-employed and employees not in a company pension scheme to make their own pension arrangements in a tax-efficient manner, akin to that for company pension provisions.

Now, under the radical reforms being introduced into the UK pensions field by the 1986 Social Security Act and the 1987 Finance Act (No 2), retirement annuity contracts are to be replaced, as from July, by the new-style personal pensions.

The design and format of personal pensions were based on retirement annuity contracts and both contracts look similar. Indeed, as far as the investment aspects are concerned, they are identical. The transition should be made smoothly.

So why are life companies and life salesmen about to embark on a major campaign to market retirement annuity contracts during the final months of their existence?

Up to now, only life companies have been able to offer retirement annuity contracts to the self-employed and to eligible employed persons. Indeed, life companies have had a virtual monopoly in the field of individual pensions. This monopoly is being ended on July 1 – one of the radical changes being brought about by the legislation. Under the new pensions environment, banks, building societies and unit trusts, as well as life companies, will be able to offer personal pensions to the public. So life companies have only a few months left in which to operate free from outside competition and they intend to make maximum use of this final opportunity.

In this respect, life companies have three outstanding features upon which to base their campaign and to draw the public's attention to retirement annuity contracts.

First, there is one important difference between retirement annuity contracts and the new-style personal pensions. The accumulated *value at retirement would be* the same with each contract. But with a retirement annuity contract, the investor can take a higher proportion of the value as a tax-free cash sum. The later the age of retirement, the greater the proportion that the investor can take as a cash sum. This feature is discussed in a separate article.

Secondly, it is always a good marketing ploy to be able to tell investors that this is their final opportunity to invest in a contract before it *is withdrawn by the Government.* "Buy while stocks last" will be the theme of the life company campaign.

There have been specific times during the past decade when life companies have enjoyed a sales bonanza for a particular life product immediately before Chancellors of the Exchequer have ended or threatened to end the sale of that contract.

The most recent episode occurred three years ago when it was widely expected that the present Chancellor, Mr Nigel Lawson, was about to change radically the tax structure of pension schemes.

Life companies enjoyed a sales boom ahead of the 1985 Budget of all their pension products, including retirement annuity contracts, even though they could not carry out a mass marketing campaign at the time because there was nothing specific but rumours which proved to be unfounded.

Now that life companies do have something specific to advertise, they are hoping to exceed 1985's boom sales figures.

Finally, in the three months from April until retirement annuity contracts finish at the end of June, life companies have an expanded market for this product – those employees currently in company pension schemes and who intend to opt out and make their own pension arrangements.

This opportunity arises from the manner in which the Government has rearranged the timetable for the introduction of its pension reforms and for the financial services legislation.

Originally, it was intended that all the changes would take place in April 1988, as this was the logical thing to do.

On that date the replacement of retirement annuity contracts by personal pensions would have coincided with the introduction of membership of company pension schemes becoming completely voluntary for all employees.

Then the start date for personal pensions was brought forward to January 1988, before finally being put back to July 1988 because of the delay in implementing the financial services legislation.

However, the date for voluntary membership of company pension schemes has been left at April 1988.

Thus during this period from April to end June, employees currently in a company scheme will be able to opt out of that scheme and use retirement annuity contracts in their own pension arrangements. A separate article describes in detail how this arrangement works.

However, it needs to be emphasised that employees should consider their position very carefully before coming to any decision to opt out of their company pension arrangements.

Retirement annuity contracts operate on the money purchase principle. The contributions paid are accumulated in a tax-exempt fund and the accumulated sum at *the time the benefit* is taken is used to buy a pension.

Thus the ultimate income at retirement depends first on the level of contributions, next on the underlying investment return and finally on the level of annuity rates at the time the benefits are taken.

Investors need expert advice at all stages if they are to ensure an adequate income in retirement. There are a variety of professional advisers, who will be subject to the financial services legislation once it becomes operative.

Investors need to understand the terms of reference under which a particular adviser is operating, above all whether the adviser is completely independent or tied to a particular life company and only selling that company's product.

This latter point is of vital importance. Investors interested in retirement annuity contracts face a bewildering choice of products from a host of life companies. The intricacies of unit-linked and with-profits contracts together with the underlying investment implications are discussed in detail in the survey. In addition, the survey considers the implications of the financial services legislation on advisers and their choice of life company.

1988 is being mooted as the year of pensions. But all the indications are that attention in the early months will be focused on this existing product, rather than on the new ones being lined up in the wings waiting to go on stage.

CONTENTS

An action checklist for the self-employed

Deadline for a simple strategy

AS FROM July 1,1988, retire*ment annuity contracts are being* replaced by personal pensions. Thus, from that date the self-employed will no longer be able to take out any new retirement annuity contracts.

However, the Inland Revenue is not stopping people from using their existing retirement annuity contracts after the change-over.

Investors can continue to pay contributions into these contracts and to increase the amount of contributions paid, providing the retirement annuity contract has been written in the correct form to accept increased contributions.

So the simple strategy for the self-employed is to make sure that they have at least one retirement annuity contract in existence by June 1988.

Personal pensions do have one major advantage over retirement annuity contracts. Investors can take their benefits from personal pensions at any time from the age of 50, whereas with a retirement annuity contract they have to wait until aged 60.

But this does not cause any problems.

From July 1, 1988 investors can switch the accrued benefits from a retirement annuity contract into a personal pension at any time but they cannot reverse the switch – it is a one-way option.

So the self-employed can take out a retirement annuity contract before the deadline. If in subsequent years they decide that they would like access to the benefits earlier than at the age of 60, they can simply switch to a personal pension.

The decision need not be taken until the actual moment when the benefits are required. The switch into a personal pension and then taking the benefits from that personal pension can be made virtually simultaneously – certainly on successive days.

So when do the self-employed need to take action?

The six-month delay means that the change-over will now take place in the financial year 1988-1989. So for the current tax year 1987-1988 the self-employed can continue their pension planning as normal.

However, any action taken in the year 1988-1989 must take place before the deadline of July 1.

Some life companies used not to bother about annuity payments and they have an indifferent record. In the future they might pay more attention to their annuity rates

Many self-employed people wait until near the end of the tax year before deciding what contributions to pay for that year and they pay the money to the life company almost at the close of the tax year.

Thus, it would be advisable for the self-employed to get their retirement annuity contracts checked out by April 5,1988. Then they can forget about 1988-1989 until the normal time later in the year.

However, if the self-employed do leave matters until 1988-1989 then all that is required to be done before the deadline is to take out a contract for at least a minimum contribution and sort out their overall contribution payments later in the tax year.

What checks do the self-employed and their advisers have to make on the retirement annuity contracts they take out?

☐ Check that the contract can in fact increase contributions – both on a regular basis and for once-off single premium payments.

Until now, retirement annuity contracts issued by certain life companies did not have the facility to increase premiums within the same contract. The company concerned issued a new contract each time the investor wanted to increase his contributions.

These life companies have now amended their existing contracts or even produced new ones just for this final period, that can accept increased premiums. But if the self-employed already hold contracts from these companies that cannot accept increased premiums, then they need to take out a further contract that does.

Standard Life is one such life company. It has just launched a contract and will be mailing all *existing holders of its retirement* annuity contracts to inform them of the situation and to advise them to take out a further contract.

☐ Check that any new contract is with a life company which has a track record of paying consistently good annuity rates

Up to now, when a self-employed person wanted to take his pension, he (or she) was not confined to buying the annuity from the life company with which he had retirement annuity contracts. He could take the accrued value of the contract and shop around among all life companies for the best annuity rate – the so-called "open market option."

Under the new system, if the self-employed wishes to exercise the open market option, then the retirement annuity contract would technically be switched into a personal pension with a selective life company and then the benefit would be paid as for a personal pension. In that case, the self-employed would lose the higher cash sum benefit, available on a retirement annuity contract.

So to retain this higher cash sum from the retirement annuity contract, the self-employed must take the remaining pension from the life company that has issued the contract and not use the open market option.

Hence it is necessary to ensure that the life company concerned has a good annuity record.

Some life companies up to now have not really bothered about annuity payments and they have an indifferent record. This situation could change and in the future companies might pay far more attention to their annunity rates.

This feature is particularly important if the self-employed person is taking his retirement annuity contract from an intermediary who deals with just one or two life companies.

Eric Short

Personal choice for employees

EMPLOYED PEOPLE who are not members of a company pension scheme have always been *able to take out retirement annu*ity contracts. But to date very few people have taken advantage of this facility. There was a reluctance by such employed persons to pay contributions in addition to those paid into the State Earnings Related Pension Scheme (Serps).

However, employed persons who are members of a company pension scheme cannot invest in a retirement annuity contract.

A new marketing situation has arisen with the introduction of personal pensions, which life companies are keen to exploit.

The new personal pensions will have two components. The first tier known as "the appropriate pension" will enable an employee to contract out of Serps the contribution paid, being the national insurance contracted out rebate together with tax relief on the employee's portion of this contribution, plus the incentive payments.

The second tier is for those employees who wish to either make further contributions on *top of the first tier, or to remain* in Serps but to boost the pension that they will get from that scheme.

Employees have the choice of taking out either the first tier minimum pension to contract out of Serps or the second tier on top of Serps (the current situation for employees) or taking out both first and second tiers.

The second feature of the new pension situation is that from April 6, 1988, membership of a company pension scheme becomes completely voluntary on the part of the employee. No longer can he be forced to belong to his company scheme as a condition of employment. The employee, if he so wishes, can make his own pension arrange*ments through personal pensions* or leave it to Serps or have a combination of personal pension and Serps.

However, till personal pensions appear in July the role of the second tier pension is fulfilled by the existing retirement annuity *contracts.*

There is no reason why an employee should not take out the second tier before taking out the first tier, that is he takes out a retirement annuity contract before July, and then the appropriate personal pension in July or thereafter.

By this means the employee can take a higher proportion of his benefit in cash – there is no cash on benefit from the appropriate pension. As with the self-employed, an employee can always switch from a retirement annuity contract to a personal pension, but this is a one-way option.

Thus, employees who are currently not in a company pension scheme and wish to pay more *than the minimum into* a personal pension or get more benefit than that provided by Serps should take out a retirement annuity contract before July if only for the minimum contribution until they can further sort out their affairs.

For those employees currently members of a company pension scheme and who intend to opt out and make their own arrangements, then their strategy should be to leave the scheme and take out a second tier retirement annuity contract by June 30. The first tier appropriate pension can be arranged later.

It needs to be emphasised that employees should consider all aspects very carefully before opting out of their company arrangements.

The above strategy is not advising employees to come out of the company scheme but simply explaining what best to do if they have already taken the decision to leave.

The employee needs also to check out retirement annuity contracts as described for the self-employed.

Eric Short

ANNUITY CONTRACTS 2

Why personal pensions may not offer quite as good a deal as the current system

Nothing to lose from acting now

WITH THE *growing trend* towards a shorter working life and the Government's drive towards private pension arrangements, it is more important now than ever before to make financial provision to ensure a long and comfortable retirement.

For the self-employed and employees whose companies do not provide a group pension scheme there is no better way to make this provision than through a retirement annuity contract.

Employees in non-pensionable employment may well feel that their compulsory payments into the State Earnings Related Pension Scheme (Serps) through National Insurance contributions will provide an adequate income when combined with the *basic state pension. However*, the impending reduction in Serps from 25 per cent to 20 per cent has made the resulting benefits less than adequate.

For the self-employed Schedule D tax-payer there is not even the option of contributing to Serps. For this section of the population, in the absence of a private pension, the only guaranteed entitlement on retirement is the basic state pension which is currently £3,289 per annum for a married couple.

The self-employed retirement annuity contract is an excellent tax-efficient vehicle for retirement savings. The contract, often referred to as a Section 226 contract, was introduced in the 19546 Finance Act and consolidated within sections 226 - 228 of the Income and Corporation Taxes Act *1970. From the* beginning of July this contract will be replaced by the new personal pension.

The basic state pension for a married couple is £3,289 a year – but the genteel poverty of old age can be avoided

TAX RELIEF FOR CONTRIBUTIONS

Age	% of earnings
50 and less	17.5
51-55	20
56-60	22.5
61-74	27.5

Current limits (from April 1987) for a self-employed pension contract.

Retirement benefits from the self-employed retirement annuity are taken in the form of tax-free cash and an annuity – the latter providing the regular income. The maximum tax-free cash available – naturally an important feature of the contract – is a higher percentage of the total fund than is available on the new style personal pension contracts.

The current limits (from April 1987) on tax relief for contributions to a self-employed pension contract are as shown in the table.

Up to 5 per cent of this tax relief can be used to contribute *to a life assurance policy* – a useful and under-used option, particularly as tax relief is not normally permitted on life assurance contracts.

To achieve even greater tax efficiency, it is possible to make use of the six-year "carry back" and "carry forward" provisions for unused relief. For example, premium contributions can be carried back to a previous tax year at a higher level and to provide a tax refund.

Most contracts provide considerable flexibility on premium contributions but the most common choice is to pay regular monthly or an annual premium – the former probably more suited to the self-employed who usually make their contributions towards the end of the tax year.

Tax relief for the self-employed is obtained through a direct claim to the Inland Revenue. Under the new personal pension regime, however, employees' contributions will receive tax relief at source, rather like the current Miras system for mortgage tax relief.

Clearly, the aim of the self-employed pension is to provide a long-term savings vehicle and while there is flexibility in *terms of choice of retirement* age, the Government imposes minimum and maximum age limits when benefits can be taken.

On the current self-employed contract, benefits must be taken between 60 and 75, whereas the new personal pension, available from July, permits retirement from age 50.

One valuable feature common to both the self-employed pension and the new personal pension is the ability to take benefits while continuing at work. This is not permitted in a group pension scheme. "Cluster" policies, where a contract is divided into individual self-contained sections, thus effecting more than one contract, can be a great advantage when the policy-holder wants to cash in part of the benefits at an earlier date than the rest of the accumulated pension.

Self-employed retirement annuities are available to both the self-employed and employees in non-pensionable employment. But in addition, due to various hiccups in the timing of the new pensions and regulatory legislation this year, a rather interesting anomaly has arisen for the employee in a company scheme.

Under current legislation it is compulsory for employees to join a group scheme if one exists. However, from April, employees can, if they wish, opt out of the group scheme and make their own provision.

Delays in implementing the new regulatory timetable have postponed personal pensions until July, leaving a three-month gap in which an employee can leave the company scheme and still be able to take out a self-employed retirement annuity contract.

While this would not allow the employee to contract out of Serps – the new-style personal pension is necessary for that – it is worth considering taking out a self-employed contract in order to obtain the higher tax-free cash. This does not prevent an employee from taking out a personal pension in July. There is no limit on the number of contracts an individual holds provided contributions stay within the permitted tax relief limits.

It is worth considering a self-employed contract to get the higher tax-free cash

So what are the points in favour of the retirement annuity contract, which will disappear from the shelves of pension providers after June 30 to be replaced by "this year's model" – the personal pension plan?

Although they are similar in many respects, there are several important advantages in taking out a retirement annuity contract while stocks last.

The most significant difference is the amount of tax-free cash available on retirement. For a personal pension this has been set at a maximum of 25 per cent of the total fund, whereas on a retirement annuity contract it is usually 30 per cent and often higher.

The retirement annuity lump sum is calculated on the basis of three times residual annuity rather than as a set percentage of the fund. As annuity rates vary according to sex, age at retirement and the prevailing interest rates, it is impossible to calculate an exact percentage when taking out a pension. The LAS group, for example, estimates that a man retiring at 60 can expect around 29 per cent whereas a man retiring at 75 can expect over 38 per cent.

The extra tax-free cash will be welcome to most people facing retirement, particularly where the pension contract is used to fund the capital repayment on an interest-only mortgage loan.

A word of caution on the final annuity arrangements. *Under an open market option*, contract holders can choose the best annuity available, which may not be from their current pension provider. However, as the legislation currently stands, exercising this option is regarded as taking out a new contract under which the 25 per cent tax-free cash limit will apply.

Clearly, unless this restriction is removed, the choice of pension provider must take into consideration the company's annuity track record as it may be necessary to stick with the same office to take the higher lump sum.

The ability to increase premiums is a vital feature of any retirement annuity contract. If a plan does not permit this, any future increase in contributions will have to be made under a personal pension. People who already hold a contract should check this facility is included. If it is not, they should update it with a more flexible plan before the June 30 deadline.

With all the talk about June 30, it is important not to overlook April 5. Contracts effected before the end of the tax year will be able to "carry back" premiums into the 1986-87 tax year when basic rate tax relief was set at 29 per cent, rather than the current 27 per cent.

Apart from the tax-free cash arrangements, the main difference between the two types of pension plan is the minimum retirement age, which on a personal pension is 50, and on a retirement annuity contract is 60.

The current limit on tax-free cash is £150,000, although as this seems to apply per contract and many contracts operate on a cluster arrangement, it is debatable whether this actually imposes a limit at all.

For those who think they can afford early retirement, the personal pension may seem more appropriate. However, as a switch from a retirement annuity contract to a personal pension can be arranged simply and quickly at any time, this is not an argument for favouring a personal pension at this stage.

One final argument for the retirement annuity contract is the delay factor. A year's delay will lose valuable investment time and considerably reduce the final pension. Fairchilds, the pension specialists, gives the following example: a one-year delay for a 40-year-old investing £1,000 a year would result in a loss to the fund of £14,770 at age 65, assuming an annual growth rate of 12 per cent.

In conclusion, there is nothing to lose and everything to gain from taking out a retirement annuity contract, particularly if this can be done before the end of the tax year. That would keep all the options open, leaving the decision between early retirement and higher tax-free cash to a later date when the individual is in a better position to judge retirement priorities.

Debbie Harrison
Financial Adviser

Investments

How to stay in the driving seat

RETIREMENT ANNUITY contracts are a highly tax-efficient means of providing pensions for the self-employed. But because only life companies can issue such contracts, it does mean that the self-employed person does not have complete control over the investment of the contributions. He cannot use his own adviser for this part of his investments.

Most self-employed people are quite content to leave all the investment decisions to the life company by either taking out with-profit or deposit administration contracts or investing in managed funds under unit-linked contracts.

If the self-employed wants to be involved to some degree in the investment process, then he can use unit-linked contracts which have a wide range of underlying investment funds - UK and overseas equities, property, fixed-interest and cash.

Under these contracts, the self-employed has the facility to spread his contributions between the various funds and to switch existing holdings between funds.

In this manner, the self-employed can select the asset mix – the strategic investment decisions. But the management of each underlying fund, involving the selection of the stocks, remains with the life company.

However, if the self-employed wants complete control, there are two alternative routes he or she can take to achieve this.

The first method relies on life companies issuing special retirement annuity contracts to groups of self-employed people under which they have their own investment manager, subject to approval by the life company.

The benefits provided and the contribution terms are the same as for ordinary retirement annuity contracts. But the investment rests with the self-employed and his/her investment manager.

The requirements of such scheme as charged by Sun Life Assurance, which with 550 schemes set up is one of the largest providers, are (1) a minimum contribution of £20,000 to set up the scheme, together with (2) an annual payment of at least £2,000 a year for each member of the scheme into Sun Life's ordinary retirement annuity contract, including the life cover element.

Thus these schemes are very much up-market, aimed primarily at the professional partnerships.

However, the self-employed can start off with ordinary retirement annuity contracts and, when these have sufficient value, then switch into these special schemes.

The very large schemes can negotiate special terms regarding contributions into ordinary retirement annuity contracts.

These special schemes operate on a unitised basis. Although the investments are managed by the self-employed's own manager, the assets are technically held in the name of the life company and have to comply with the regulations for unit-linked life assurance permissible assets.

However, the range is extremely wide and is revised periodically.

The main exclusion is residential property – the scheme cannot be used to finance the purchase of holiday homes either in the UK or overseas.

The adviser has to be approved by the life company. This requirement will be reinforced when the Financial Services Act comes into operation in April, when anyone managing the investments of funds will have to be authorised.

So the self-employed will be allowed to manage their own investments provided they use a firm of professional investment managers.

Nevertheless, the self-employed can discuss investment matters with the managers and indicate strategy.

Once the scheme has been set up, a high degree of flexibility can be incorporated. One person can have his or her own fund. Or several persons can agree to have a common fund.

There are however several other advantages using these special schemes.

They can be used to finance the purchase of property for use by the partnership. Indeed, the entire assets of the contract can consist of the properties used by the self-employed, thereby providing a means of continuity in ownership when a particular partner retires.

Many of these schemes are set up with the sole purpose of acquiring the partnership's property. If at outset the value is in excess of the immediate contribution payments, then the life companies will allow a phased transfer in of that property on a unitised basis.

The usual loanback facilities apply to these special retirement annuity contracts.

Sun Life charges ½ per cent management charge plus £20 per deal. This covers the costs of the life company settling the deals, performing the valuations and providing the necessary disclosure information to members. The fund itself bears the dealing costs and the investment manager's fees.

The alternative method of controlling the investments is for the self-employed to set up a friendly society.

It needs just a minimum of seven persons to apply for a friendly society to be approved by the Registrar of Friendly Societies. Any seven people can get together to put in an application.

The main attraction of use of the friendly society to provide retirement annuity contracts is that the investment is under the control of the members, subject to the requirements of the Financial Services Act, and the assets are held in the name of the society. No third party is involved as with the other method.

However, there are several disadvantages. It is a complicated adminstration procedure to set up a friendly society. Expert guidance is essential and this is provided by various firms of consulting actuaries.

The investments themselves are restricted under friendly society legislation to gilts, land and property, mortgages and other trustee investments.

The underlying funds can only invest a certain proportion of their assets in equities, unlike the life company route where up to 100 per cent can be held in equities.

There is also some uncertainty over the position of small friendly societies within the relevant EC Directive.

However, the authorities have confirmed the continuation of friendly societies within the new pensions framework coming into being later this year by allowing them to offer personal pensions.

Eric Short

Fimbra's rules

Advice must be the best

A PROFESSIONAL financial adviser should have the necessary expertise to design the right format to meet his clients' pension needs, even in the most complicated of cases. Indeed, the financial services legislation requires all advisers to have acquired this expertise as a condition of achieving authorisation.

However, the independent financial adviser has an added responsibility towards his client compared with the direct life salesman representing just one company – that of recommending a suitable life company or companies to provide the products.

Advisers under the "best advice" requirements of the financial services rules are required to select for their clients those companies that can be expected to provide the best investment return on retirement annuity contracts.

This concept of best advice is causing considerable problems for independent financial advisers.

Normally, it is a straightforward task to select the life company which is providing the highest annuity rates at a particular moment. This market is closely monitored and the adviser needs access only to one of the monitoring systems.

But it is a very different situation for the adviser to select the life company which is going to accumulate the largest cash sum over the period to retirement from which to buy the annuity.

There is no simple statistic which will show that one life company is going to do better than another.

The recently published rules from Fimbra (Financial Intermediaries, Managers and Brokers Regulatory Association) make it very clear that independent financial advisers have this duty.

What is not made clear in those rules is how the adviser carries out this responsibility other than he must take reasonable steps to ensure that his recommendation conforms with best advice – reasonable being a lawyer's standard phrase these days.

Even actuaries find it impossible to assess financial strength on current information

It seems certain that the old-style practice of advisers of taking the underlying financial strength of a life company for granted will no longer apply.

The recent troubles of two long-established traditional life companies – United Kingdom Provident Institution and London Life Association – have knocked that assumption on the head.

The adviser's first step in meeting best advice is to ensure the financial security of the companies being recommended.

How he does this is by no means clear.

The actuarial profession is currently discussing how the information provided by companies in their annual returns to the Department of Trade and Industry should be extended to provide more information on the underlying financial strength of that company.

One factor is obvious from the discussions. Actuaries themselves find the task of assessing financial strength on the basis of current information virtually impossible.

But once the question of financial strength has been resolved, the next stage in the selection of a life company varies as to whether it is a unit-linked or a with-profit contract that is being recommended.

In selecting a unit-linked company, the adviser has to assess the future investment performance of the company.

Some idea of the ability of the company's investment team can be ascertained from the past performance tables.

A life company among the top places in these tables has had a good investment team and as a corollary, a company in the bottom places has an indifferent team.

But unit-linked performance tables need to be treated with caution.

First, there are so many funds offered these days that most companies usually have at least one fund in the top half of these tables. Advisers need to look at the overall performance of all funds.

Secondly, figures are provided for varying periods, some as short as five years. Many life companies, particularly the traditional ones, have been in the unit-linked market only for comparatively short periods. Advisers need to assess long-term performance.

Finally, many life companies have recently spent a lot of time, trouble and money strengthening their investment teams, often starting from the top. Investment managers are moving around far more than in the past, so it is now much more difficult to assume continuity in the staffing of a life company's investment team.

At the end of the day, there is no substitute for the adviser making his own assessment of the life company's investment strengths is deciding on choice of company.

This is also the basic advice when selecting a traditional life company for with-profit business – there is no substitute for knowing and understanding how the life company operates.

But it is far easier for the adviser to be sidetracked into using some easily identifiable statistic to select the best performing company.

Until recently, advisers tended to rely exclusively on illustrations of projected maturity values on current bonus rates – the company with the highest projection was the one recommended.

Now such projections have to be done on a common basis and are no guide in selecting companies.

Advisers are now focusing on past performance tables, free asset ratios taken from a company's DTI returns as well as the current trend in a company's bonus declaration.

All these factors help the intermediary in his choice, but by themselves each factor on its own is far from conclusive.

In particular, advisers must be wary of rejecting a life company just because it has cut its bonus rate. The adviser has to decide whether the company is cutting from strength or from weakness.

A company that cuts its rate from strength could well provide a good long-term return. In contrast, a life company holding its rates too long could well be building up trouble in the future.

The additional information that could be provided in the DTI returns may well help advisers on this particular aspect.

The other feature that advisers should pay particular attention is whether the capital base of a life company is sufficient to meet the demands of that company's new business growth.

In the case of the two companies mentioned above which ran into problems, one of the contributory features was rapid growth from inadequate capital.

Still, at the end of the day if the adviser recommends a life company which several years hence provides the best return, he has been lucky. But he should be able to select a company which should be among the leading performers.

Eric Short

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ANNUITY CONTRACTS 3

The Financial Services Act comes into operation in April

Protecting investors from unprofessional advisers

AN INDIVIDUAL investing in a retirement annuity contract has to make several decisions in what should be a carefully thought-out specific financial planning exercise with the ultimate objectives of providing an adequate income in retirement, together with an attractive cash sum available at the time of retirement.

This requires the individual paying sufficient contribution level out of his income, up to Inland Revenue limits, and investing those contributions in the appropriate contract with a selected life company that can provide the required investment return to secure the retirement income and cash sum.

However, it is not easy for the individual to ascertain the required level of contributions that should be paid in a year, allowing for both the carry-back and carry-forward provisions, particularly for people with highly variable earnings. If individuals contribute what they *think* they can afford, then the ultimate pension is likely to be far from adequate, simply because the amount paid in is likely to have been too low.

Next, in the choice of contracts and life company the individual is faced with a variety of contracts from a number of life companies, each with quite different investment funds. These vary from building society deposits, with-profit contracts and unitised funds which invest in the complete investment spectrum – cash, fixed-interest, equities (UK and overseas) and property.

The investor needs to understand the underlying risk/reward features of each type of fund. The stock market crash last October has given investors a timely reminder that investment risk is a real factor to be taken into consideration.

It is apparent that most individuals will require financial advice from a professional adviser, many of whom are themselves self-employed, in arranging their retirement annuity contracts.

The planning exercise is not completed once the first retirement annuity contract has been set up. The financial circumstances of individuals are constantly changing and the planning will need to be revised from time to time if that target income in retirement is to be obtained. So any adviser must be in a position to provide continuous advice over longish periods.

There are a number of different advisers who specialise in dealing with retirement annuity contracts. By the very nature of their training and profession, they will have different approaches to the planning exercise.

If individuals contribute what they think they can afford, the ultimate pension is likely to be far from adequate because the amount paid in will have been too low

Accountants are well placed to give advice on the financial aspects, especially as to what contributions can be paid from a year's earnings. The self-employed will have their own accountant for at least preparing tax returns and that accountant, familiar with his client's financial circumstances should be well placed to give the contribution advice.

Solicitors are often involved in the financial affairs of clients and their advice will cover many aspects of investment including pension arrangements.

However, accountants and solicitors are not necessarily so well placed when it comes to advising on the choice of contract and life company.

The larger firms of accountants and solicitors have specialist financial adviser departments – usually their own insurance broking operation – and can give a highly professional service on all aspects in advising on pensions and arranging retirement annuity contracts.

The smaller high street practice of accountants and solicitors usually deals with just two or three life companies or has arrangements with a life specialist with whom the firm will channel business.

On the other side of the coin, there are the life specialists themselves – either company representatives dealing with one or two life companies or independent financial advisers dealing, in theory, with all life companies.

All these life representatives are trained to a high degree in all aspects of retirement planning, including the determination of the appropriate contribution levels to be paid. But it does mean a certain duplication of the work of the self-employed's accountant. Often the accountant is quite happy to leave everything to the life representative.

A three-way discussion between the client, his accountant and a life representative can often provide the best approach to this exercise.

Individuals dealing with life representatives need to understand at the outset whether they are dealing with a purely independent intermediary or a company representative. Often the decision is not entirely clear as to in which capacity the intermediary is operating.

However, this situation will change in April when the 1986 Financial Services Act is scheduled to come into operation. The overall objective of this legislation is to protect investors by ensuring that only authorised persons and firms can deal in or advise on investments. Retirement annuity contracts from a life company are classified as investments.

The purpose of authorisation is to ensure persons in the investment field are both competent and honest. The provisions of the Act to ensure this competence and honesty are complex and varied. But there are certain aspects which affect retirement annuity contracts:-

■ Life representatives must either be truly independent or represent just one life company and sell the product of that company – the so-called "polarisation" situation. The position of the representative must be made clear to the client at all times.

■ Independent financial advisers are expected to operate under an industry commission agreement which is designed to avoid bias both in the recommendation of the product and in the life company issuing that product. If this is not the case, the independent financial adviser must disclose to the client the amount of commission being received for selling a particular product. In any event, the client himself always has the right to ask for the commission to be disclosed.

■ The illustration of ultimate benefits on a contract will be on a controlled, realistic basis.

■ There will be an official complaints procedure that can be taken against authorised persons.

However, the Financial Services Act will be operative only during the final months of the existence of retirement annuity contracts. Until April, the present largely unregulated system will still be in operation.

So during this period the investor will still have to look after himself. It will be his responsibility to ensure that the adviser is competent in selling retirement annuity contracts and to check the adviser's reputation for fair dealing.

Eric Short

Loanbacks

Why pension mortgages are so tax-efficient

PENSION ARRANGEMENTS are highly tax-efficient means for saving out of income towards providing cash and pension at retirement. But they have the disadvantage of locking away assets until the time of retirement, assets that the self-employed may well want to use in *his business.*

However, the assets in a pension arrangement can be unlocked by means of the loanback facility available on a retirement annuity contract, a facility that has been available only for about a decade.

There are two forms of loanback available to the self-employed.

The first applies to an existing retirement contract which has been in force for some time and has accumulated a reasonable sized value. The investor can borrow from the life company up to the current value of the contract, or a high percentage of that value, providing it does not exceed the anticipated cash value.

The loan then becomes one of the assets backing the contract and, under Inland Revenue rules, the interest charged must be at a commercial rate – at least three points over base rate.

This loan facility is virtually automatic for the self-employed. There is no requirement for status of the borrower, purpose of the law or any other factor usually associated with taking out a loan.

The second type of loanback relates to both new and existing retirement annuity contracts.

The individual borrows from a financial institution, which is not normally the life company issuing the contract. The amount of the loan is a maximum of a fixed multiple of the premium being paid to the contract – usually 15 or sometimes 20 times the premium.

Under Inland Revenue rules, retirement annuity contracts cannot be assigned. Some other asset must be used as collateral. In most cases, this will be a house

Thus if a self-employed person takes out a retirement annuity contract paying an annual premium of £5,000, he can borrow up to £75,000 or in some cases up to £100,000.

Often, the multiple which the institution is prepared to lend depends on the status of the borrower, with professional classes qualifying for a higher multiple.

Again, the interest paid has to be at a commercial rate.

In both types of loan, repayment is intended to be made from the tax-free cash sum available at retirement.

Since, under Inland Revenue rules, retirement annuity contracts cannot be assigned, the individual will have to put up some other asset as collateral. In most cases, this asset will be his house.

This leads on to a special form of loanback – the pension mortgage. This type of facility enables individuals to use the pension contract to pay off their mortgages and has become very popular with the self-employed in their house purchases.

The concept of a pension mortgage is quite straightforward. The investor takes out an interest-only mortgage under which he pays interest to the lender on the mortgage throughout the term. The loan is repaid from the tax-free cash sum at retirement so the individual will be required to make contributions sufficient to secure the cash sum that will pay off the mortgage.

Again, the only collateral is the house though the borrower will usually require the self-employed to effect life assurance.

Pension mortgages are highly tax-efficient, since in addition to the tax relief on the interest payments, the investor gets full tax relief on the contributions, which are invested in a tax-exempt fund. And, of course, the final lump sum is paid tax-free.

The life cover can also be done in conjunction with the retirement annuity contract, with an investor getting full tax relief on the contributions.

The original purpose of loanbacks was to provide a source of finance for the self-employed to use in their business development in a similar manner to loanbacks on executive pension arrangements.

However, the use of loanbacks has gone far beyond this original concept. For the self-employed tend to use the loanback as much for personal as for business uses – for private loans, second homes and other items.

Nevertheless, loanbacks and pension mortgages should be used with caution, since they commit the investor, in advance, to using his tax-free lump sum for the specific purpose of paying off the loan.

Despite this, many investors have taken out retirement annuity contracts specifically to secure a loan. Had the loan facility not been available, then they would not have taken out a contract, thereby not making any provision for themselves.

Eric Short

Choosing the right type of policy

Best of both worlds is also on offer

ONE OF the great benefits of a competitive market is that it creates variety and choice. Because the retirement annuity market is so highly competitive there is consequently a wealth of different types of contract from which to choose.

Basically, however, the policies can be broken down into two fairly distinct types, namely "with profits" and "unit linked" according to the amount of investment risk inherent in each.

A with profits policy is popular with those who want the security of steady, if somewhat conservative, growth in their pension benefits, rather than the sort of volatile investment performances which tend to be associated with unit-linked policies (and which have been experienced in recent months).

With profits policies provide guaranteed minimum benefits and each year the life office will add reversionary bonuses to the plan to increase those benefits. Once these reversionary bonuses have been added, they belong to the policyholder and cannot be taken away.

The rate of reversionary bonus varies with each life office and although it is derived from investments made by the life office, it will not directly reflect the growth achieved but instead will smooth out fluctuations. That is why, despite recent stock market falls, values of with profits policies maturing now remain largely unaffected.

An increasing number of life offices add special reversionary bonuses from time to time to reflect exceptionally good investment performance, and once added these also cannot be taken away. In addition, the accumulated value of a with profits policy will, in most cases, be increased at retirement by the addition of some form of terminal bonus, which will reflect capital growth achieved over the years the policy has been in force. However, terminal bonuses are *not* guaranteed to be payable and may be reduced or even stopped completely if market conditions dictate.

The stock market collapse at the end of last year gave rise to serious concern over the prospect for terminal bonuses and life offices are even now declaring their rates for 1988. Reversionary bonuses, on the other hand, depend mainly on dividend income and because that has not been greatly affected by the stock market fall, reversionary bonuses are not expected to be badly affected, if at all. The table shows the top five performing with profits policies over five and 10 year terms for a £1,000 single premium.

With profits policies: top performers

WITH PROFITS POLICIES: TOP PERFORMERS

Five years		Ten years	
Scottish Life	£2,651	Scottish Life	£6,294
Pearl	£2,645	Equitable Life	£5,505
Scottish Amicable	£2,529	Pearl	£5,457
Equitable Life	£2,523	FS Assurance	£5,427
Norwich Union	£2,475	Sun Alliance	£5,334

Figures are for £1,000 single premium paid by man aged 60 at outset for 5-year term, aged 55 for 10-year term, retiring at age 65 on September 1, 1987. Source: Money Management magazine.

Effect of stock market collapse

UNIT-LINKED PENSION FUNDS: CHANGE IN AVERAGE FUND VALUE

Sector	October 1987	November 1987
Managed	-21.2%	-4.4%
Equity	-25.3%	-7.3%
International	-25.5%	-4.6%
European	-27.8%	-8.8%
North American	-32.8%	-2.9%
Far East	-30.1%	-1.2%
Money	+1.6%	+0.6%
Fixed Interest	+3.8%	+1.4%
Index Linked	-1.6%	+7.4%
Property	-2.8%	-0.4%

Source: Money Management magazine

Under a unit-linked policy, each premium paid buys units in an underlying fund or funds, chosen by the policyholder. The value of the funds will go up and down directly in line with the funds' investment performance, so it is much more volatile than a with profits policy.

Over the past 12 years of the bull market, many unit-linked policies have performed spectacularly, easily outstripping even the best with profits policies. But the fall in the stock market last year wiped off something like 30 per cent of values.

The second table shows the effect of the 1987 stock market collapse on each sector of the unit linked pension fund market. This is the average fall (or rise) of all unit-linked funds in each sector and obviously individual funds may record higher or lower losses (or gains).

If you do not like the relatively staid image of the with profits policy, and the recent stock market volatility has made you wary of a unit-linked plan, you can, in fact, have the best of both worlds. Many life offices are now offering a unitised with profits policy which combines the features of both types. Under this sort of plan, each premium paid buys units in the underlying with profits fund, and bears charges in the same way as a unit-linked policy.

However, at the end of each year the growth in the underlying fund is distributed to policyholders in the form of a bonus which, like a with profits policy, once added cannot be taken away. Because the bonus will directly reflect the growth in the underlying fund, the rate of bonus should go up and down in line with the growth achieved.

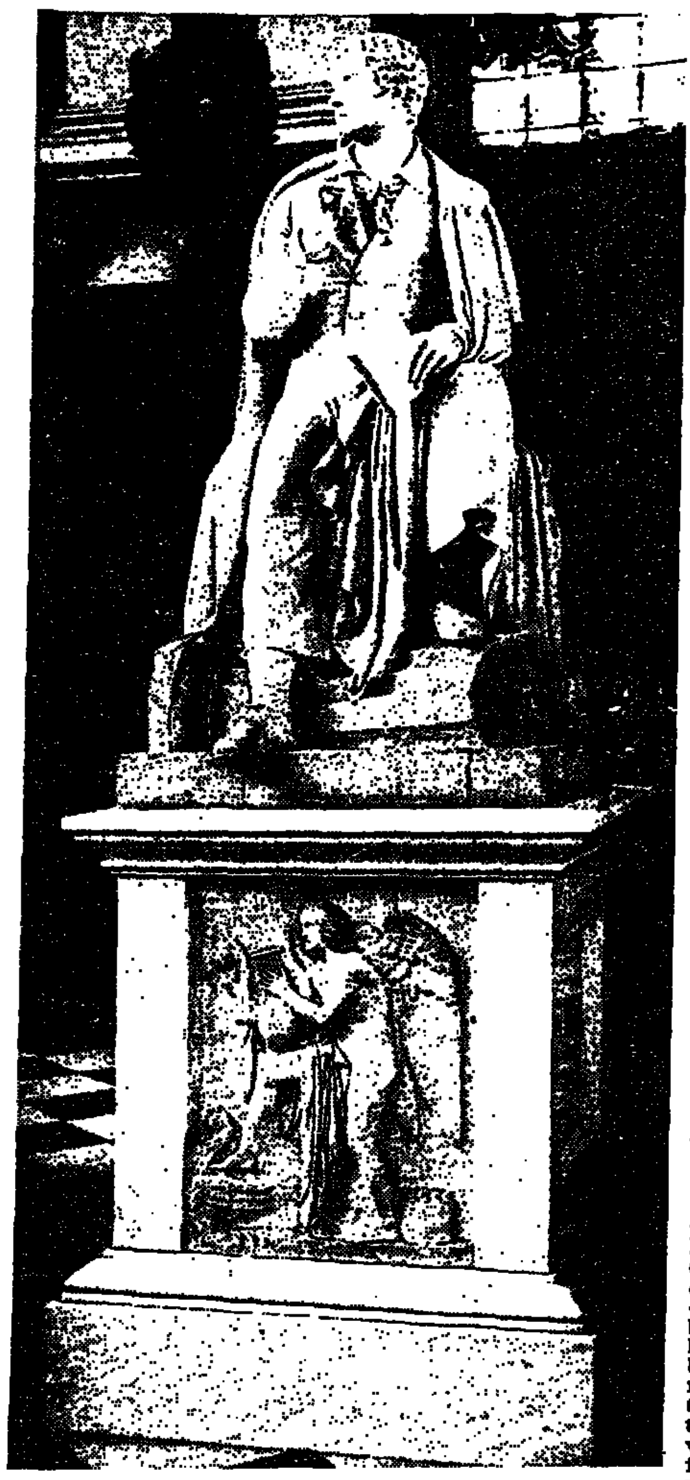
Many of the life offices offering this type of plan also include a guaranteed minimum bonus rate which is usually about 4 per cent a year. Switching is also possible between the with profits and other unit-linked funds of the life office.

Janet Walford

Editor, Money Management

Two hundred years after his birth Englishmen have mostly stopped hating Lord Byron, says **William St Clair**

Homage to a poet, mad, bad and dangerous to know



The Thorwaldsen statue of Lord Byron

AT 8 O'CLOCK next Friday morning, a group of enthusiasts will assemble on a traffic island near Hyde Park Corner in west London. The annual laying of a wreath on the statue of Lord Byron takes place this year on the 200th anniversary of his birth. It will mark the start of a programme of celebrations, readings, lectures, conferences, visits, concerts, and other events, in Britain and abroad.

The huge bronze at the foot of Park Lane is the most visible monument to the poet in London. It was erected in 1881 to remedy what was seen as a scandalous gap, but it is not likeable. For the finest statue of Byron, and a splendid work of art in its own right, you have to go to Cambridge where Thorwaldsen's full-length marble stands in the library of Trinity College.

Byron sat for Thorwaldsen at his studio in Rome in 1816 when one of the poet's friends commissioned a portrait bust, but he was rather embarrassed by the whole business. Busts, he felt, were for dead conquerors, not live poets. He would not keep still, the sculptor recalled, and put on a melancholy face which the sculptor ignored. The resulting portrait was said by Byron's friends to be a perfect likeness, although Byron himself wished he had been made more Byronic. When Lady Byron saw the full-length version, she shed tears. "Yes, it is wonderfully like my dear Byron, only not half so beautiful."

The Thorwaldsen statue was designed to stand in Poets' Corner in Westminster Abbey. It was commissioned and paid for by a committee of noblemen, politicians, men of letters and friends. Sir Robert Peel, shortly to be prime minister, had been in the same class as the lame boy at school. The lord chief justice represented the law and the president of the Royal Academy the arts.

Sir Stratford Canning, who had played cricket against the poet in the Eton-Harrow match and showed him the sights of Constantinople, had a closer connection which he kept secret - he was one of the distraught but fortunate young men who had been turned down by Annabella Milbanke before she married Byron. Sir Walter Scott, the only author with a reputation comparable to Byron's, was delighted to honour his old friend. Benjamin Constant represented the writers and readers of France and Johann Goethe those of Germany. Lord Byron was one of the greatest geniuses of the age and perhaps of any age - of this they were all sure, even if some of them disagreed with his ideas and disapproved of his way of life.

Ten years after Byron's death, the committee applied to the abbey authorities for permission to donate the statue – and was refused. "I do indeed greatly wish for a figure by Thorwaldsen here," wrote the dean, who was conscious of the sculptor's fashionable reputation, "but no taste ought to be indulged to the prejudice of a duty." The statue was left unpacked in the Customs House, where it had arrived from Italy, to await a more propitious moment. But when the old dean eventually took his own place in the abbey, his successor was equally adamant. The monument to Byron was not to be admitted. Although 20 years had now passed, it appeared to many that an unforgiving nation was determined to have the last petty vindictive word on the poet it had once adored and then driven into exile.

The French government, quick to spot an opportunity, let it be known that the Thorwaldsen statue would be more than welcome in the Louvre. Other destinations were

Even after Byron's statue was refused a place in Westminster Abbey the campaign to honour him continued

suggested, but there can be little doubt that Cambridge was the best choice. Full-scale copies now also stand in the Borghese Gardens in Rome and in the Garden of the Heroes at Missolonghi in Greece, two of the countries which Byron had made his own.

Meanwhile, Poets' Corner had filled up with memorials to more acceptable writers. By the time Christopher Anstey arrived, his one poem was as dead as its author. Thomas Campbell, who was given the full honours in 1844, wrote some good verses but nobody ever mistook him for a genius. Henry Cary was a sweet translator and William Gifford a waspish literary journalist. A portrait bust of the conformist second-rater, Robert Southey, was allowed to jostle the monument to Shakespeare (Southey's epics, Byron had commented, would be read when Homer and Virgil were forgotten - but not until then). Among company like this, the champions of the Byron memorial began to wonder, did they really want to succeed? Who would be honouring whom? But even after the refusal of the Thorwaldsen statue, the campaign continued.

The abbey authorities had in the past taken a wide view of their responsibilities as keepers of the nation's unofficial pantheon. A church which admitted Charles II was not inquiring too closely into a man's personal or public life. A ceremony in the abbey was thought to offer opportunities for forgiveness and reconciliation which were not available when great men were alive. When Lord Chatham (William Pitt the Elder) died, it was the leaders of the Opposition who arranged his funeral. Pitt's lifelong opponent, Charles James Fox, was buried alongside him although Sir Walter Scott's verses punctured the pathos even at the time:

Dropt upon Fox's grave the tear.
'Twill trickle to his rival's bier.

Among those who condemned the decision to exclude Byron's monument was Lord Brougham, whose lethal – but not unfair – review of the poet's first book of conventional verses had stirred him to greater things:

"With this view, we must beg leave seriously to assure him that the mere rhyming of the final syllable, even when accompanied by the presence of a certain number of feet - nay although, which does not always happen, those feet should scan regularly and have been all counted upon the fingers, is not the whole art of poetry. We would expect him to believe that a certain portion of liveliness, somewhat of fancy, is necessary to constitute a poem; and that a poem in the present day, to be read, must contain at least one thought either in a little degree different from the ideas of former writers or differently expressed."

The Byron committee contained the names of several men who had featured in *English Bards and Scotch Reviewers*, which Byron had dashed off in reply. A number of high Tories joined in the same spirit.

The admission of poets to the abbey had come about almost by accident. Geoffrey Chaucer, the father of English poetry, was routinely buried in the abbey in 1400 not because he was a poet but because he was at the time Clerk of the Royal Works in the Palace of Westminster.

It was nearly 200 years later when Edmund Spenser started a fashion among the Elizabethans. Near to Chaucer in genius, proclaims the epitaph of the author of *The Faerie Queen*, he is near to him also in his tomb. Francis Beaumont came next - separated from John Fletcher, who is at Southwark - and then Ben Jonson and Michael Drayton. There was then another gap, but by the later 17th century the custom was again in full swing and

Criteria for admission to Poets' Corner were elastic. Seldom was a stand made on literary grounds

Poets' Corner was soon cluttered with tombs and memorials.

The criteria were elastic. "O rare Ben Jonson" was good, but who had heard of "O rare Sir William Davenant?" If Byron was an "indecent" writer, what about the Restoration dramatist, William Congreve? If Byron was doubtful about the Church of England, what about John Dryden who was a Roman Catholic? Or St Evremond, a minor French essayist, scarcely read even in his own day, who had denounced Christianity on his death bed?

Occasionally a stand was made, but seldom on literary grounds. For many years the authorities refused to permit a memorial to John Milton because he had served Oliver Cromwell. So bitter had the Restoration government been towards its defeated political opponents that it dug up some of their bodies from the abbey precincts and judicially hanged them from a gallows. Milton's nephew, John Phillips, author of a tepid poem on cider, was admitted to Poets' Corner but only on condition that the proposed Latin epitaph, "Second only to Milton," was altered. Absurd exaggerations of this kind were quite acceptable in the abbey - the forgotten Abraham Cowley is compared with Pindar, Virgil and Horace - but the name of Milton could not be permitted to pollute its walls.

Oliver Goldsmith imagined taking a visitor from China round Poets' Corner. Why, the visitor asks, is there no memorial to Alexander Pope when so many nonentities are honoured? "It is time enough," his guide replies, "He is not long dead and people have not done hating him." A memorial to Milton had then arrived and Goldsmith was himself voted a monument with an epitaph composed by his friend, Dr Samuel Johnson, who lies nearby, but Pope remains uncommemorated. He was one of the few writers ever to refuse the proffered honour, maybe the only one, but he managed to have it both ways. His epitaph at Twickenham in southwest London, composed by himself, is inscribed: "For one that would not be buried in Westminster Abbey."

Pope was the English poet whom Byron most admired and whom in some respects he tried to emulate. The tension in Byron's writing between the romantic and the Augustan is the theme of an international conference being arranged by the Byron Society and the British Council in July this year. There was a similar ambiguity in Byron's attitude to memorials. In some ways they were ridiculous, even shaming, and yet... At Florence, he had offered a hint:

"I also went to the Medici Chapel - fine frippery in great slabs of various expensive stones - to commemorate fifty rotten and forgotten carcases... The church of Santa Croce contains much illustrious nothing - the tombs of Machiavelli - Michel Angelo - Galileo Galilei and Alfieri - make it the Westminster Abbey of Italy - I did not admire any of these tombs - beyond their contents. That of Alfieri is heavy - and all of them seem to me overloaded - what is necessary but a bust and a name? - And perhaps a date? - The last for the unchronological - of whom I am one."

Later, he wrote: "I should prefer a grey Greek stone over me to Westminster Abbey - but I doubt I should have the luck to die so happily." The words were sincere when they were written. But Byron's friends also knew how deeply he had been hurt by the torrent of abuse that had greeted the publication of *Don Juan*. Byron's finest poem had contained too much truth for comfort and too much for the abbey, but who but his own countrymen could appreciate him fully?

It was partly because Byron himself felt he had been unfairly treated that his friends were so eager to see official justice done to his memory. Right to the end Byron had talked of returning home, perhaps even to resume his political career. For all his love of Italy and of Greece, he remained an exile, cut off from England and Scotland where he had spent his hot youth. At the beginning of the fourth canto of *Childe Harold's Pilgrimage*, the poet offered his country a rather maudlin version of "I did it my way:"

Perhaps I loved it well: and should I lay
My ashes in a soil which is not mine,
My spirit shall resume it – if we may
Unbodied choose a sanctuary. I twine
My hopes of being remembered in my line
With my land's language: if too fond and far
These aspirations in their scope incline –
If my fame should be, as my fortunes are,
Of hasty growth and blight, and dull oblivion bar
My name from out the temple where the dead
Are honoured by the nations – let it be –

And so it was. Time and again, applications to instal a memorial in the abbey were made and turned down until at last, in 1974, a plain white marble memorial was placed in Poets' Corner with a truer epitaph:

But I have lived, and have not lived in vain;
My mind may lose its force, my blood its fire,
And my frame perish even in conquering pain;
But there is that within me which shall tire
Torture and Time, and breathe when I expire;
Something unearthly, which they deem not of,
Like the remembered tone of a mute lyre
Shall on their softened spirits sink and move
In hearts all rocky now the late remorse of love.

There will be a second ceremony on the evening of January 22 at that place, conducted by the Dean of Westminster, to be followed by a commemorative dinner at which the Minister for the Arts and Michael Foot, the former Labour Party leader, will speak. Two hundred years after his birth, Byron's countrymen have mostly stopped hating him.

● William St Clair, who writes regularly in the Weekend FT, is joint chairman of the Byron Society. For details of membership, and a list of the year's events, apply to the Byron Society, 6 Gertrude Street, London SW6 (01-352 5112).

Go Danish in Africa

DESPATCHES
• Zimbabwe •

WHAT AND where is the real Zimbabwe, and how has it been faring in seven years of independence? The answer might depend on who you are and where you see it from.

Travelling Danish will give you an uncomfortable – and optimistic – viewpoint. Travelling Danish is how Rhodies (those Rhodesian Whites living either inside or outside Zimbabwe) describe a White travelling on a rural bus. Only Danish volunteers do it, they say. It is an alternative to the Harare-based view of the country.

So bid goodbye to the glittering capital Harare and its stately homes, its flowering tree-lined avenues with names like *Marlborough*, *Wellington* and Princess Margaret, its homelessness, baby dumping, born-again churches, its guns and troops, its barking dogs by night and wailing sirens by day. Go Danish to the Eastern Highlands, to the cool, beautiful Chimanimani mountains, where the bitterest fighting in Zimbabwe's war of independence was being fought only eight years ago and where refugees streaming in from Mozambique testify to the continuing conflicts of Southern Africa.

Buses to the Eastern Highlands operate according to two inflexible rules of African rural transport; no bus leaves until it is full, and at every stop more passengers get on than get off. And it's hot. Many people have cumbersome bits of luggage that must be crammed in. The journeys are long and the stops frequent. Yet I saw not one bad-tempered incident or heard one complaint from any of the many children sitting crammed and jostled hour after hour.

The contrast with the swimming pools of Harare is striking. In gardens surrounded by security fencing and lawns well sprinkled with Rhodesian ridgebacks, boerbuls, mastiffs, Alsatians and bull terriers, Whites complain about the difficulties of their lives. It is a litany of robberies, shortages, corruption and inefficiency. In the background might be heard, on a Saturday afternoon, the sirens of the police convoy clearing the road for the President as he drives past the gilded Sheraton conference centre (surely the ugliest building in Africa) to the extravagent Chinese-built national stadium to watch football or attend a political rally.

Seen from the back of the bus Zimbabwe is altogether more encouraging. In three days I saw not one badly dressed, malnourished or dirty person. Despite the worst drought in living memory, in this part of Zimbabwe at least, no one seemed hungry. Food at all the stops was plentiful, including peanuts, avacadoes, eggs, mealies, tomatoes and oranges. I saw no beggars, no-one hassled me and no-one offered me anything but disinterested friendship. On hearing that I was the same age as him (though having four fewer children) the bus conductor pointed out that he looked "much stronger," and claimed that it was a result of the abundant fruits of the area. I couldn't argue with his conclusion but defended myself (and amused his passengers) by pointing out that perhaps he wouldn't be looking so good when he has lost as much hair as I have.

No-one mentioned the war or made me aware that my skin colour was any different from theirs. No-one pointed out that most of the fertile land we passed through was still owned by Whites and most of the infertile and eroded land held by the Blacks, as it was in the days when Ian Smith ruled Rhodesia. No one mentioned the MNR terrorists – that poisoned well left by the Rhodesian forces in Mozambique. The only voices I heard raised in anger were directed at a pickpocket whom the bus driver found with his hand in my pocket.

How things will continue in face of all the difficulties of a declining national economy, a looming Aids epidemic and a neighbour like South Africa is hard to say. But clearlythey are making the most of what they have, which can't generally be said for those around the swimming pools of Harare.

Julian Burgess

Hazlitt, Gooden & Fox, which sold the majority of its shares to two young art dealers

Antony Thorncroft on why the art trade is clubbing together

The art of making a deal

WHILE THE main London salerooms of Sotheby's and Christie's are silent temporarily, the dealers are getting their act together. For years now the auction houses have forced the pace in the fine art markets and the dealers, with their limited resources, have done their best to survive. In the main, they have been forced into dependency on the salerooms, buying about 70 per cent of all the goods sold there. They also use the salerooms to dispose of slow-moving stock and provide around 30 per cent of the lots on offer at Sotheby's and Christie's.

Now they are realising that, to prosper in an era of spiralling art prices and fierce international competition, they must pool their resources, both financial and academic. Last week, one of London's most respected picture dealers, Hazlitt, Gooden & Fox, sold a majority of its shares to two young dealers – John Morton Morris, an expert in Old Master prints, and Niall Hobhouse, who specialises in design drawings. They will provide a management succession for Jack Baer, who continues as chief executive, as well as more cash and a greater spread of both knowledge and contacts.

To a great extent, this formal merger makes public the behind-the-scenes machinations taking place continually among dealers. As the late Patrick Lindsay of Christie's said after selling an important picture: "I got the impression it was bought by 20 people." With prices rising so sharply in the past five years, dealers just cannot afford to bid independently. For really major works of art, the London trade clubs together in an attempt to thwart the foreign bidders. Sometimes they tell the auctioneer in advance, as they should, that they are making a joint bid; sometimes they do not.

Many dealers share the ownership of works of art. They are also tempted increasingly to sell on commission, taking into their showrooms a picture or an item of furniture which remains the property of a private individual but from which they take a handsome percentage if they find a buyer. With the art market internationally going so price-mad, such deviations become necessary to survive.

Now it looks as if the boom is over, adding mutual reassurance to financial muscle as a reason for merging. The stock exchange crash will impoverish at least some buyers; the fall in the value of the dollar will hit Americans, the main buyers for most leading London dealers; and common sense is reasserting itself and saying that many of the second-rate items which found new homes during the years of easy money will now command a more realistic, and lower, price. No-one imagines the increasingly rare top quality items will decline in value.

The Hazlitt, Gooden & Fox merger has good auguries because of the reputations of the dealers involved. Art market get-togethers in the past often have floundered through personality clashes between the principals. Somerville and Simpson are no longer together; nor are Chris Beetles and Peter Nahum who shared premises in Ryder Street, St James's. It makes good sense for young dealers to spread the the cost of Mayfair premises, but such close proximity hardly allows prima donna temperaments to flourish.

The best deals often result from the more tenuous links: for instance, when a London dealer in, say, Old Master drawings spots what he reckons to be a bargain Old Master oil at a country shop and phones to suggest to a friendly specialist, with a waiting clientele, that they share the potential profit on the find. The days of the dealer who is an expert in everything largely are over: the market has outgrown such a polymath.

There are still advantages in being a dealer. If you are a regular vendor the auction houses halve the sales commission they extract from you to around 5 per cent, as well as offering you credit facilities as a buyer. It is always possible to pick up an easy few thousand pounds by bidding on commission for an expensive lot on behalf of a museum or a rich patron. But few dealers make a fortune these days, and for many of them it is a frustrating business trying to find decent stock while surrounded by the slow-moving, second-rate stuff they acquired early last year when buyers seem to have lost their senses.

It is too soon to tell how bad 1988 will be for the trade. Some well-established dealers, like Charles Lee of Richard A. Lee, are still optimistic, encouraged by increased British buying and signs that the Japanese are acquiring furniture at last. Alastair Sampson, who specialises in English ceramics, metalwork and early furniture, thinks American interest is still there if dealers are prepared to shave their margins slightly. His computer tells him that his best-selling antiques are valued at around £1,200, still a modest sum for most serious collectors. Like many dealers, Sampson thinks some levelling-off in prices is necessary. "When I started dealing in English pottery 18 years ago, the highest price ever paid was £3,000," he says. "Last year, I paid £112,000 for an item." Such appreciation cannot be sustained forever.

Mergers, and more sensible prices paid for run-of-the-mill antiques, are two developments which will see the good dealers through an unpredictable year (although their provincial brethren, who depend on the Americans coming over each June, hiring a van and buying up their stock, may face a much harder time). The trade should also be aided by a rare consensus among the members of the British Antique Dealers Association that they should do something about their image. An £80,000 kitty has been gathered to finance a public relations campaign that will attempt to compete with the multi-million pound advertising budgets of the salerooms.

It will not in itself be enough; but a growing feeling that the auction houses have lived high on the hog for too long could swing buying sympathy and practice back to the dealer who is generally honest, often knowledgable, and always ready to make a bargain.

Defensive positions

IN TEN years reported woundings and assaults in England and Wales have increased dramatically from 71,188 to 115,523 a year. Reported rapes have also more than doubled rising from 1,094 to 2,288 per year. The chances that you, or somebody close to you, may be mugged, raped, robbed or injured rises every year. So, what can you do if you are threatened with mugging? What weapons can you legally use to defend yourself, and do they work? What self-defence techniques are effective and can they be quickly learned?David White reports.

•••

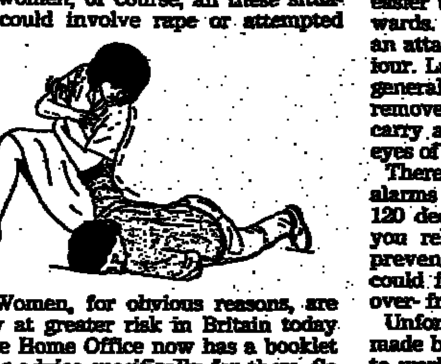
NOT so long ago, rape, muggings and other unprovoked attacks were the kind of thing we mostly encountered on the pages of newspapers. Like most of life's disasters, we tended to think of them as things that happened to other people. Today, few of us can be under the illusion that these are any longer just remote possibilities. One in eight of us, the statistics suggest, is likely to be the victim of some kind of violence in our lifetime.

You may take the view that if you are going to be a victim you'd rather not start worrying about it in advance. On the other hand you don't have to be a passive victim.

It's worth remembering that most attacks fall into three basic categories:

- The premeditated attack – muggings or threats in the street, car park, or tube.
- Non-premeditated violence – at pubs, dance-halls or by over-excited people such as irate car-drivers.
- Attacks on you in your home, either by burglars or thugs.

For women, of course, all these situations could involve rape or attempted



rape. Women, for obvious reasons, are usually at greater risk in Britain today and the Home Office now has a booklet offering advice specifically for them. So if you're a woman and you are worried you could start by reading: "Violent Crime. Police advice for women on how to reduce the risks." (Available from your local police station or direct from the Home Office, 50 Queen Anne's Gate, London SW1H 9AT).

Weapons: The most contentious area is what weapons you are allowed to use to defend yourself. As far as the Home Office, and therefore the police, is concerned you can use anything you would normally carry going about your normal business. But if, for instance, you deliberately sharpen a comb or carry a Rambo-style knife in your belt, you are carrying an unlawful offensive weapon. Use it and you could face charges. A walking-stick or heavy umbrella would be all right but a swordstick would not.

In practice, most potential weapons are not very practical because they are too unwieldy, too bulky or have to be kept in a handbag. However, if you can't avoid going into areas where even the police walk in threes, along a dark or narrow alley, then it makes sense to have something at the ready.

The Home Office talks about keeping hairspray or keys on hand to use as weapons. The problem is that keys are likely simply to annoy an assailant and sprays are difficult to aim accurately and not very reliable. In extremis a high-heeled shoe is a better weapon – or even a pen or pencil.

Above all, experts are agreed, do NOT carry a knife. Apart from the fact that it is against the law, a knife usually adds to an attacker's rage and can be used against the victim.

I think that a solid walking stick, perhaps with a heavy or ornamental handle, or a reinforced or weighted umbrella, if you can find such a thing (I couldn't) would be a better bet. The nearest I could find was a solid umbrella (£50) sold by James Smith & Sons at the corner of London's Shaftesbury Avenue and North Oxford St. They could have it weighted specially or they suggest revamping an old ebony umbrella.choose your brolly carefully – what about one with a substantial ornamental head?

I visited three martial arts shops in London and one in Luton, looking for suitable (and legal) weapons. There were lethal devices galore – everything from *shuriken* (sharpened throwing stars) to *munchaku* (rice flails on chains), swords, mittens with metal claws and knives of all sorts – but none of them seemed practical for everyday use. They were all much more the sort of thing that would appeal to the genuine martial arts student or the lunatic. Some of the weapons should almost certainly be banned from sale.

The real dilemma is that everything that is a real deterrent is almost certainly illegal (like guns and the several forms of nerve gas that come in small aerosol cans and can be bought in other countries). Just at the moment it seems that the electric-shock laser guns/truncheons used by the US police to immobilise are allowed but that is unlikely to last.

Some people recommend aerosol paint sprays. Their advantage is that those with long-lasting dyes should make it easier to track down the attacker afterwards. Others feel that they can provoke an attacker to even more vicious behaviour. Lacquer sprays are better but they generally have caps which have to be removed first, they are quite bulky to carry and are not easy to direct at the eyes of a moving target.

There is a case for shriek or shrill alarms that when pushed emit a 100 to 120 decibel shriek that continues until you release the button. This will not prevent a determined mugger, but it could frighten off a drunk or deter an over-friendly advance.

Unfortunately the first sample I tried, made by Gripperrods of Horsham, failed to work properly in a simulated attack. The second sample worked; so do test beforehand. To be useful, of course, the alarm must be to hand, so don't let it wallow around in the bottom of an over-filled handbag. You could try tying one to an umbrella handle, to a briefcase or handbag strap, to make it easy to set.

The Suzy Lamplugh Trust has launched an alarm in conjunction with the manufacturer, E Aldridge & Sons of Manchester. It has a decibel level of 115 (this is as loud as a jet just before take-off) and you can press lightly to get a few short bursts of sound or press firmly for three minutes of high pitched screech. It costs £8.85 (refills £2.30) from locksmiths, hardware and DIY shops or direct from Suzy Lamplugh Alarms, Department SLA/WLG, Grayson House, 50 Queen Street, Salford M3 8DQ. 50p from each sale goes to the Suzy Lamplugh Trust.

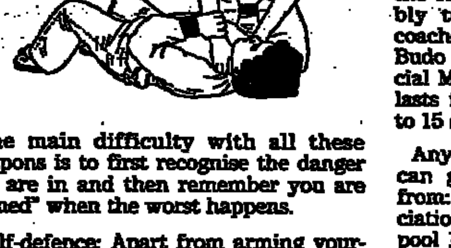
Other shrill alarms are available from large stores at around £3. If you have trouble finding one you can always ask the crime prevention officer at your local police station. CSS, 62 South Audley Street, London W1, sells umbrella and briefcase alarms at around £14 each.

For defending yourself from burglars or thugs in your own home you can legally use anything that is clearly part of your normal household furnishings and equipment. You are not allowed to have weapons at the ready. In other words, if you grab grandpa's sword off the wall and use it on the thugs beating you up you are likely to get away with it

The unacceptable face of violence: the victim of an attack

– but if you have a sword by your bed ready to attack a burglar then you are on much shakier legal ground. It's not surprising that some people prefer to defend themselves and take their chances with the law later.

Most people have something like a heavy torch at hand (American police-style torches are on the market – about £25 from CAA – and are particularly strong). Special "torches" that temporarily blind the assailant with a 5m lumen strong beam are worth considering but they aren't cheap – £110 each, replacement bulbs £7.50 (also from CAA). A baseball bat makes a good weapon for a teenager to use. But don't ever bring out anything that you aren't prepared to use. It is worth remembering that armed aggressors seem to be just as likely to injure a cooperative victim as an uncooperative one.



The main difficulty with all these weapons is to first recognise the danger you are in and then remember you are "armed" when the worst happens.

Self-defence: Apart from arming yourself with (legal) weapons, more people feel they need some knowledge of basic self-defence. Most people who have been attacked have been taken by surprise at the speed of events. Often they can scarcely believe it is happening and they simply freeze. Experts stress that it is worth developing some moves that are almost instinctive – if you have to work out what you are going to do you will probably find that it is too late to do it.

A good self-defence course will teach you this and help you to feel more confident about defending yourself. Confidence can be a crucial factor. I visited training sessions run by instructors in Shotokan Karate (the most popular style), Yoshinkan Aikido, Jiu-Jitsu, semi-contact Karate and two self-defence classes.

The most suitable course was the one devised by The Martial Arts Commission, a body that supervises most of the responsible Karate, Kung-Fu, Taekwondo and other associations and organisations in the UK. It has more than 100 specially trained coaches who run these courses all over the country. They cost very little - prices vary around the country but should average about £2 per session. If you're interested write for details to: Martial Arts Commission, Broadway House, 15 Deptford Broadway, London SE8 4PE (01-691-8711). It also produces an excellent paperback: The Official Self Defence Handbook, by David Mitchell, Pelham Books £5.95.

The MAC course concentrates on all aspects of self-defence, from so-called "gentle touch" techniques, aimed at avoiding physical confrontation, to proper "last-resort" moves. You are taught about 30 techniques, 18 of them classic attack-defence moves although the Aikido-style wrist twists are probably too difficult to perfect. All the coaches are black belts in at least one Budo discipline and have done the special MAC-1 coaching class themselves. It lasts for about 30 hours spread over 13 to 15 sessions.

Anybody wanting to go on to Jiu-Jitsu can get details of clubs and courses from: Mr R Clark, British Jiu-Jitsu Association, Barlows Lane, Fazakerley, Liverpool 12. Or if you live in south England: Mr T Parker, 6 Wash Road, Hutton, Essex CM13 1DJ.

Final thought:It makes sense to carry some form of weapon, particularly on that walk home from the station along a badly lit street. Do not rely solely on a weapon – make an effort to learn some self-defence techniques. The weapon might in fact then be used as a feint while your real attack comes with fist or foot.

Lucia van der Post is abroad. How To Spend It will resume next week.

Joy Melville looks at baldness cures

Hair today...

SOCRATES claimed that baldness was the result of too much sex – boosting, you would think, the image of baldness forever. But it didn't work: baldness still means unattractive, old.

In fact, losing one's hair "can have tremendous social and psychological influence, definitely affects both self-confidence and self-assurance, and occasionally even leads to psychiatric problems," according to Dr Rodney Dawber, consultant dermatologist at the Slade Hospital, Oxford.

Since currently some 7.9m of British men have some degree of hair loss, what can they do to quell their anxiety?

Hair-restoring has now grown into a multi-million pound business. Current remedies include:

- prevention (imaginative styling, avoid blow-driers, use a soft-bristled brush and wide-toothed comb;
- camouflage (use a wig, toupee, or hair weaving - which involves pulling your hair tightly across your head before using it to anchor additional hair);
- surgery (hair transplant, "flap grafting" in which flaps of skin and hair from other parts of your head are sewn across bald patches or, for the unsqueamish, scalp reduction.)

Surgery can be expensive. Although hair transplants, where small amounts of hair-bearing skin are implanted on to bald spots, are often successful, quite a few sessions are needed and costs can run up to £1,500 or more if the area being treated is large.

You can also spend a great deal of money more slowly by trying out fringe ideas, like magic massage, high frequency waves, an electric heating cap, or rubbing your head with an onion or plant fertiliser.

Rather more scientifically, Upjohn, the pharmaceutical company, finding that patients treated with the drug Minoxidil for high blood pressure began to produce hair, experimented in the early 1980s with the drug's effect on baldness.

The results have been encouraging and the publicity about the effects ("new hope for baldies") has caused a deluge of inquiries. The drug is now being dispensed over here but John Firmage, consultant in charge of the Scalp and Hair Hospital at the Institute of Trichologists, points out that not everyone is helped.

Before any form of treatment is given at the Scalp and Hair Hospital, all aspects relevant to the patient's hair loss are discussed. Only then is a diagnosis made and treatment methods discussed.

"It's important that patients know the pitfalls," he says. "Implants, for instance, could be damaging to the scalp. Some patients, too, are worried about wearing a hairpiece because of its rather music hall image. But if it's made properly and fitted well, it is fine. At least you can take the thing off, and there is nothing wrong with your scalp." Sometimes, patients just need advice on hair care.

Most people worried about losing their hair will go to their doctor first. "But," says Mr Firmage, "their GP may not be very interested in their appearance, as it's hardly life-threatening. And, in any case, a GP doesn't know as much about it as a trained trichologist."

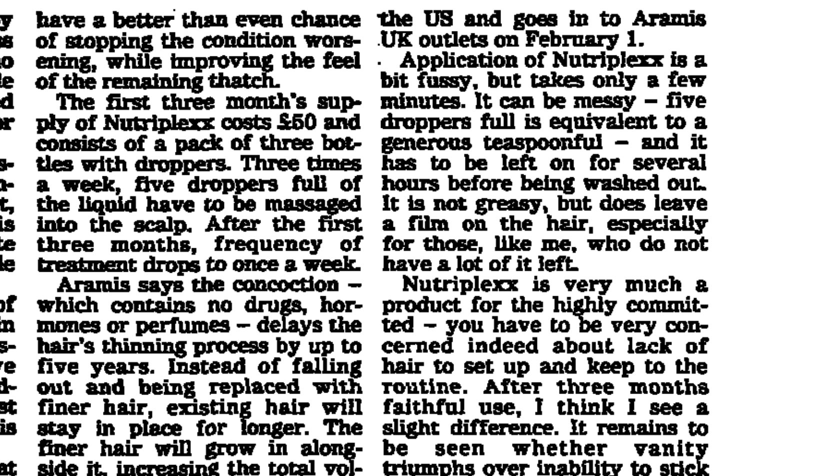
You may need to explain to their patients that there are other aspects of them which are far more important," says Mr Firmage. Stress also plays a part in hair loss contributing towards the condition called alopecia, when hair comes out by the roots, leaving patches of baldness. Mr Firmage says that the Institute's practictioners around the country have noted that, "as women take higher and more responsible positions in business, they seem to produce hair loss earlier in their lives. The theory is that because of the higher pressure genetic predisposition is pushed forward."

Desperate strategies for disguising thinning hair range from "sidewinding" (artistically positioning strands of hair around your head) to the Elton John technique of never being seen without a hat. Yet Telly Savalas and Yul Brynner had women audiences swooning at their sexiness.

Isn't it time for those with thinning hair to come out of the closet and join the "Bald is Beautiful" movement? After all, a hundred per cent of men and 85 per cent of women lose their hair as they grow older, so it's just a question of joining the gang.

Institute of Trichologists, 228 Stockwell Rd, London SW9 9SU 01-733-2056. Cost of first consultation £16; subsequent visits, £7. Send stamped addressed envelope for list of qualified practitioners and hair care leaflets.

Hair Loss Information Centre (a service of Upjohn Ltd), 20-1 Suffolk Street, London SW1 4HG. Send stamped addressed envelope for leaflets.



...gone tomorrow

THE EMBARRASSMENT felt by many men about their baldness will guarantee the scientist who discovers a cure a comfortable retirement on the wholly-owned tropical archipelago of his or her choice.

Now that the cosmetics industry is concentrating its expansion plans on the male market, a great deal of attention is being paid to this most delicate area of what those in the trade refer to as "grooming."

Aramis is coaching a team of saleswomen – "consultants" in industryspeak – in how to discuss baldness with sensitive males and offering a new product, making much more modest claims than is traditional in this area.

Customers will be told that instant rejuvenation is not on offer, at least until the next scientific breakthrough. But they will be offered a product called Nutriplexx which, in return for assiduous attention to a somewhat messy routine, claims to have a better than even chance of stopping the condition worsening, while improving the feel of the remaining thatch.

The first three month's supply of Nutriplexx costs £50 and consists of a pack of three bottles with droppers. Three times a week, five droppers full of the liquid have to be massaged into the scalp. After the first three months, frequency of treatment drops to once a week.

Aramis says the concoction – which contains no drugs, hormones or perfumes – delays the hair's thinning process by up to five years. Instead of falling out and being replaced with finer hair, existing hair will stay in place for longer. The finer hair will grow in alongside it, increasing the total volume of hair, thus giving it a thicker texture.

The company says 65 per cent of men in independent field trials in France noticed an improvement after three months. It is already on sale in the US and goes in to Aramis UK outlets on February 1.

Application of Nutriplexx is a bit fussy, but takes only a few minutes. It can be messy – five droppers full is equivalent to a generous teaspoonful – and it has to be left on for several hours before being washed out. It is not greasy, but does leave a film on the hair, especially for those, like me, who do not have a lot of it left.

Nutriplexx is very much a product for the highly committed – you have to be very concerned indeed about lack of hair to set up and keep to the routine. After three months faithful use, I think I see a slight difference. It remains to be seen whether vanity triumphs over inability to stick to routines and drives me to persevere. At least, like giving up smoking, the first three months are the worst.

Tom Lynch

Best of bangers

Food for Thought

WE BRITONS have our banger. The German has his wurst. The Italian his salami. The Chinaman his cheung, cheong or chang. The Spaniard his chorizo, and the Algerian his merguez. The Bulgar probably has several and cooks in Griqualand debate endlessly over whether to grill or to fry them. I can even envisage the Eskimo weighing the exact proportions of blubber to whale meat. The sausage is ubiquitous. It is the acceptable face of convenience foods, and I can think of no other comestible that arouses fiercer loyalties.

I have been addicted to the pork banger of Mr Franklin, of Twyford, Berkshire, for more than 25 years. People have tried to tempt me with the products of this gold medal winner or that. I have had remarkable salsicie in Sicily and superb saucisse in France, but when seriously put to the test, I come back to the Franklin's banger, fried long and slow.

This may seem slightly arbitrary. After all, there are sausages for all occasions and all circumstances, involving just about any ingredient you care to name. Broadly speaking, as I see it, there are two principle classes of sausage; those you need to cook before you eat, and those you don't. Salami in all its multifarious forms is probably the best known of those you don't, not forgetting the saucissons secs of France, the droewors of South Africa, and the spegepolse of Denmark. These are foods for hunters and for people on the hoof. Some need an olive or two to set them off, others a little pickle or salad of waxy potatoes.

Then there are sausages for frying, grilling, boiling and steaming, and their number is legion. It would be quite easy to fill the rest of the page with saucisse de Toulouse and bratwurst and cotechino and black pudding and white pudding and, well, you get the picture. You can stuff anything into a casing and call it a sausage.

Naturally, there are all manner of regulations laying down the law on minimum specifications, and I suppose they do just about protect us from out and out fraud, but a good sausage is not made to bureaucratic specifications. As with most kinds of prepared foods, the better the ingredients, the better the sausage. It's no good pretending that a skinless wonder made from fragments of fibre, gristle, soya, dextrose and monosodium glutamate is really the same thing as a carefully balanced mixture of pure, prime, meat, carefully chopped or minced, mixed with an exact amount of fat and a personally judged balance of herbs and spices. Of course, you will have to pay more for the latter, and your children may well still prefer the former.

Aside from black pudding, the British are quite prosaic in what they put into sausages. Not for us the the tripe, chitterling and mysentary of the andouillette that give that great sausage its unparalleled richness and unmistakable odour of the charnel house. We have a long and honourable tradition of our own; the Cumberland sausage, faggots, haslet, the haggis and the Glamorgan cheese sausage, among other notable sub-species. I am even prepared to include the venison sausage and the beef. In the hands of many butchers,such as Mr Franklin, these become as succulent, satisfying and sustaining as the best of the foreign ones.

However, you may feel tempted to develop your own brand. Sausage making is a fulfilling pastime for winter evenings particularly as television seems singularly pathetic at present, and they freeze very well. You should be able to procure the skins either through your butcher or from a butcher's suppliers. I buy them in Smithfield packed in a brine solution. One packet goes a very, very long way – about half a mile I estimate. Rinse out the casing thoroughly, and try to keep your mind off the fact that they were sold as contraceptives in the 18th century, and before, by some contemporary Richard Branson. Then prepare your filling.

What you put into them is very much up to you. If you can be bothered, which is highly unlikely, emulate the Chinese, and chop all the ingredients by hand. Whizzing them up in the food processor tends to thrash the juices out. Then all you have to do is get the stuff into the casing. There are various useful gadgets to be had on the open market, but I use a funnel and a wooden plunger. It's extraordinarily messy, but I reckon if you can make them like that, you can make them with anything.

You will find detailed intructions on the art in The Book of the Sausage by Antony & Araminta Hippisley Cox, or in Jane Grigson's Charcuteries and French Pork Cookery. Take care, the rise and fall of the sausage is linked to the fortunes of empires. Some authorities aver that addiction to spicy sausages played a crucial part in the decline of the Roman Empire. In 1131 the son of Louis VI of France was thrown from his horse and killed when his mount started at a hog snuffling in a Paris gutter. A recent survey of the ingredients of South Africa's vaunted boerewors, the staple of every right thinking Afrikaaner's braaivleis (barbecue to you) revealed a horrifying catalogue of impurities. O tempora, O mores.

Peter Fort

Edmund Penning-Rowsell defends the beleaguered German wine industry

More than just Liebfraumilch

Wine

TO MANY serious wine-drinkers, Germany is overwhelmingly a land flowing with Liebfraumilch and *sussreserve* (unfermented sweet grape must), resulting in an over-riding sweetness for which there is no place at the table and little occasion elsewhere.

This is unfair, for some brands of Liebfraumilch are perfectly acceptable and it is often a resort from the allegedly over-complicated labels of more interesting wines.

Nevertheless, the German wine industry has been going through a difficult time. It has been hit by such scandals as the glycol-diethylene *furore* imported from Austria, as well as dreadful so-called "Eurowines" and a good deal of poor-quality, low-priced stuff.

The trade has also suffered from a fall in the US dollar, the advent in America and Germany of "coolers," and the health concern trend. So it is time to put in a few good words for the better German wines.

Exactly 200 years ago Clements Wenceslaus, Prince-Bishop of Trier, introduced to the Moselle the grape variety that is Germany's leading contribution to the world's viticulture – the Riesling. Until 25 years ago the Moselle was overwhelmingly planted with Riesling, but increasingly it has been replaced in the upper and lower parts of the river by the earlier-ripening and far more prolific Muller-Thurgau.

In the upper Moselle this can yield up to 200 hl per ha, compared with Riesling's 65-80 hl. Today, Riesling accounts for only 60 per cent of the river's 150 miles of vineyards. But it is still predominant – to the extent of 80 per cent – in the two tributaries, the Saar and the Ruwer, that enter the main stream to the south and north of Trier, and from the steep valleys that produce some of Germany's most elegant wines.

Trier is the wine capital of the Moselle. It contains a number of large institutions – mostly religious in origin and ownership – with vineyards on many choice sites on the Saar and Ruwer. The Bischofliches Konvit, the Priesterseminar and the Hohe Domkirche are all now merged together for marketing purposes. The Friedrich-Wilhelm Gymnasium was a Jesuit-founded school although its best known pupil was the distinctly non-religious Karl Marx, whose father owned a small patch of vineyard in the Ruwer adjoining what is now the Maximin-Grunhaus estate. There is also the Vereinigte Hospitien, a union of old Trier charities, with large holdings in the upper Saar.

The State Domain, prominent also on the Saar as well as the largest private estate on the Moselle, was owned by the Kesselstatt family until 1978 when it was bought by a member of the Reh family of Leiwen on the main river. It has 15 sites and 35 ha on the Saar, and 20 sites and 13 ha on the much smaller Ruwer. They are 95 per cent Riesling.

In great years the Saar and the Ruwer can claim to produce the best Moselle wines – which for some drinkers means the best in Germany. The wines will take longer to develop from the very steep vineyards that are generally loftier even than those in the top Middle Moselle vineyards in Brauneberg, Bernkastel, Wehlen, Graach and Zeltingen. But the tributary wines will last longer, sustained by more acidity.

It is not easy to describe the difference between the wines of the two river valleys. The Saar wines are said to be "steely," which might mean austere in other than the best vintages. They are also called "strict" and "classic" which indicates that they have a certain fixed style with marked acidity; an aromatic, crisp bouquet; and a long flavour in the mouth. By next year the Saar will be canalised, as the Moselle was nearly 20 years ago, and the broader, more placid and misty expanse of water is expected slightly to soften the vineyard climate.

The Ruwer wines are lighter and perhaps more elegant but they are also firm, with marked acidity and the delicious aroma that only the Riesling can provide. The products of both rivers need time to mature: at least four or five years for a successful vintage and probably longer, although they seldom get it.

The Ruwer is a tiny stream, at some points almost imperceptible as it dashes down to join the river a mile or two below Trier. There are only three villages of wine account – Waldrach, Kasel and Mertesdorf – and the very small vineyard area of about 320 ha is dominated by two estates that face each other across the valley, Maximin Grunhaus and Karthauserhof.

The Maximin wines, produced by the Von Schubert family, are remarkable for their full Riesling bouquet and a flavour that is both deep, long and subtle. No *sussreserve* is used, even for the "quality" wines. The Karthauserhof is owned by the Tyrell family and the wines are drier than the Maximin's, and certainly elegant. In spite of the length of the site name when the hamlet of Eitelbach is added, the label (on the bottle neck only) is the smallest in Germany.

Another prominent Ruwer grower is Carl Weiss of Mertesdorf, whose estate is named after the Beulwitz family and whose best-known vineyard is Kaseler Nies'chen. Otherwise, the valley growers number no more than 30 and the total Ruwer output is about 33,000 hl, half of which is sold as district wine, although the *grosslage* (district) name of Romerlay, which includes the vineyards near Trier, is not common on a label here.

A vineyard often mistaken for a Ruwer, which it adjoins although facing more to the Moselle, is Avelsbach, best known for the Altenberg and Hammerstein. The biggest owners are the State Domain and the Bischofliches Konvikt, which also own sites in Eitelsbach and Kasel where Kesselstatt is also prominent.

The leading vintages in the Saar and Ruwer are '71, '73, '75, '76. '79, '83, '85 and possibly '86.

Few British wine merchants have anything like a representative list of these distinguished Moselle tributary wines. The best is certainly O.W. Loeb (68 Southwark Bridge Road, London SE1), and others to be recommended include Henry Townsend (Oxford Road, Beaconsfield, Bucks), Lay & Wheeler of Colchester, and Adnams of Southwold.

The *trocken* (dry) wines that have had a growing success in Germany in recent years have not endeared themselves to British merchants or their customers, but the wines of "quality" and *Kabinett* levels go excellently with what may be called first-course foods. Their crispness and moderate sweetness offsets the piquancy of the foods. Served cool and fresh, they also make excellent aperitifs.

• BOOKS •

Geoffrey Owen on the origins of a great British company

When the screws were turned

A HISTORY OF GKN. VOLUME ONE: INNOVATION AND ENTERPRISE, 1759-1918
by Edgar Jones. Macmillan. £19.50, 442 pages

Baskerville Place, site of Nettlefold's first screw-mill in Birmingham

"I HOPE I shall never be ashamed of the iron trade," wrote Lady Charlotte Guest in her journal in 1836. This remarkable lady, who spent most of her adult life managing or helping to manage the Dowlais ironworks at Merthyr, was visiting Bristol, whose merchants had largely financed the South Wales iron industry. She was dismayed during her visit by the "studious avoidance of every allusion to trade" and the dislike expressed of the places where industrial wealth was being accumulated.

As Edgar Jones, author of this fascinating history of GKN, points out, it was extraordinary that polite society should be expressing such a disdainful view of industry at a time when Britain's manufacturers were leading the world and the country was enjoying unprecedented prosperity and economic growth.

Fortunately the entrepreneurs who were driving forward the industrial revolution had no interest in the views of polite society. Men like Lady Charlotte's husband, John Guest, and the other South Wales ironmasters were generally of humble origins. As demanding of themselves as of others, they led simple lives and business was their consuming interest. The fact that many of them were non-conformists reinforced their sense of being outsiders. Debarred by the Test and Corporation Acts from entering the professions or holding civil office, they applied their energies to trade and industry.

They saw the business opportunities created by modern technology and growing markets. The crucial innovation was Abraham Darby's demonstration (in 1709) of the use of coke, rather than charcoal, in ironmaking. The Coalbrookdale region of Shropshire, where Darby worked and the Guest family had its origins, became the crucible of metallic technology: ideas were tested there and information exchanged.

The attraction of Merthyr, where the Dowlais works was started in 1759, was the availability of coal, iron ore and limestone, together with fast-flowing streams to provide power. The later adoption of steam-engines permitted the development of large, integrated ironworks in which the machinery was too heavy to be driven by waterwheels. Then came the installation of Cort's puddling and rolling process which enabled Dowlais to enter the market for bar iron. When the market for rails began to grow, Dowlais was well placed to supply it and by the early 1840's it was one of the biggest ironworks in the world.

Were these early ironmasters innovators in their own right? The Guests were adept at exploiting other people's inventions, often when the "bugs" had been ironed out of them. In a rather similar way the two other companies which came together to form GKN in 1900-1902, the screw-makers Nettlefold & Chamberlain, and Arthur Keen's Patent Nut and Bolt Company, derived their success in part from exploiting American innovations. But all three improved on the designs they acquired. Dowlais in particular had a technical reputation which attracted talented engineers and managers. It became a training-ground for the British iron and steel industry.

Two fine business brains: Lady Charlotte and Sir John Guest

Towards the end of the century some of the momentum went out of these pioneering enterprises, while competition from the newly industrializing countries of the US and Germany became more severe. Attitudes grew more defensive. In the 1870s Joseph Chamberlain had no compunction about drastic price cuts to drive rivals out of business. "It is no use flattering ourselves," he told his colleagues at Nettlefolds, "we have got to smash the new company." Later, after Chamberlain had left the company to enter politics, Nettlefolds was a leading promoter of international cartels.

There was a defensive element, too, in the merger which created GKN, although it also reflected succession problems at Dowlais and at Nettlefolds. After the death of Sir John Guest and the retirement of Lady Charlotte, Dowlais was run by trustees. Sir John's son, Lord Wimborne (educated at Harrow and Trinity, Cambridge, not at Bridgnorth Grammar like his father) was happy to respond to Arthur Keen's merger approaches.

The idea behind the deal, and the subsequent purchase of Nettlefolds, was to create a vertically integrated concern. Yet the synergies were more apparent than real. The degree of product overlap was limited and the type of iron and steel produced at Dowlais was unsuitable for wood-screws. Keen was a strategist and fixer: he even came close to merging Guest Keen with United States Steel Corporation. But he was also an autocrat, distrustful of ambitious colleagues and reluctant to delegate -- factors which contributed to GKN's crisis in the 1920s.

GKN's history sheds light on wider adjustment problems stemming from Britain's early lead in industrialisation. By the end of the 19th century, Dowlais was suffering from the exhaustion of local materials and high transport costs. The US was building highly mechanised works on carefully selected greenfield sites. Although a brave decision was made to build a new steelworks at Cardiff, there was a reluctance, partly for social reasons, to run down Dowlais: the new works was less ambitious than it might have been and the transfer of production to it was slow.

The entrepreneurs whom Jones, GKN's Group Historian, describes so vividly in this first volume, were practical men. Many of the innovations they introduced were incremental ones, requiring no scientific understanding. Their attitudes and skills proved inadequate as markets and technologies changed. "Victorian society," says Jones, "and in particular its business community, may be judged to have failed in not establishing management as a professional occupation. It remained a practical job where knowledge was acquired by watching and doing." Unlike the Germans and Americans, British businessmen failed to appreciate the value of rigorous scientific training.

The combination of the practical man in the workshop and the gentleman amateur in the boardroom proved deadly. It helped to explain, for instance, why at the outset of the Great War Britain had virtually no capacity in high grade alloy steels, which had been largely imported from Germany.

There were also in this early period seeds of a low-wage, low-productivity economy. A foreign observer in 1900 noted that the main priority for employers was "to obtain more work for a traditional wage rather than to decrease the cost of production by means which will justify a higher wage...Working men have come to accept the view widely and it is the acceptance of this theory of status which is at the bottom of the deadlock in British industry."

It is the early history of GKN, not the later process of consolidation, which holds the most inspiring lessons for today's entrepreneurs. The success of the pioneers lay in identifying the most dynamic markets and in supplying those markets at the lowest possible cost. It is hard not to be impressed by Sir John Guest's unswerving quest for cost reduction and technical improvement, Joseph Chamberlain's aggressive search for overseas customers and, most memorable of all, Lady Charlotte Guest's deep commitment to the ironmaking business.

After meeting Charles Babbage, the inventor, she wrote in her journal: "He placed strongly before me the necessity of looking at great leading points and not allowing myself to be perplexed by insignificant details...The other day I almost cried finding that I did not yet know all the parts of the punching machine. Yet so long as I know the principles on which the machine acted - its efficacy etc - I believe it is very immaterial whether I could construct one like it."

Film fans quizzed

MASS-OBSERVATION AT THE MOVIES
edited by Jeffrey Richards and Dorothy Sheridan. Routledge and Kegan Paul, £39.95. 458 pages
PHILOSOPHY OF THE FILM
by Ian Jarvie. Routledge and Kegan Paul. £18.95, 375 pages

THE WORD auteur has been bandied about in modern film criticism in relation to almost everyone who ever stood behind a camera: from some of the most acknowledged masters of movie-making (Bergman, Fellini) to Hollywood journeymen who would scarcely know an auteur if one stood up and bit them.

But it has long been possible to argue that the true auteur of cinema - of popular cinema at least - is the audience. What their tastes favour, and what their money reaches out to, is what commercial film-makers aim to make.

In Mass-Observation At The Movies we have an enthralling study of this auteur as he manifested himself in Britain 50 years ago. Jeffrey Richards and Dorothy Sheridan are both cinephiles with a socio-historical bent. He wrote The Age Of The Dream Palace. She is curator of the Mass-Observation archives at Sussex University.

M-O was a group project in which volunteer observers interviewed or recorded popular reactions to issues of the day: from politics to poverty, from war to art to cinema. This book is an edited anthology of M-O material about British film-going habits and responses between 1937 and 1941: the age when George Formby and Gracie Fields ruled at the box-office, when Hitler came to power in Europe and on the newsreels, and when cinemas were not half-empty places rustling with old sweet-wrappers but secular cathedrals bursting with worshippers.

In Philosophy Of The Film, raiding a wide spectrum of movies, including Citizen Kane, Persona and Annie Hall, Ian Jarvie, Professor of Philosophy at York University, Ontario, attempts to see them in the light of Plato, Kant, Heidegger and other thinkers not noted hitherto for their central importance in film criticism.

The book is more persuasive than it threatens to be. Jarvie mixes some foolish rules of procedure ("Eschew all evaluative terms") with some sensible ones ("Forswear esoteric vocabulary"). And he is excellent at analysing the ideologies that squeeze themselves almost unconsciously into many Hollywood films (like Casablanca). A book sometimes indigestible: often nourishing.

Nigel Andrews

Regional humour: Garrison Keillor

Fiction

Wobegon days

LEAVING HOME: A COLLECTION OF LAKE WOBEGON STORIES
by Garrison Keillor. Faber & Faber. £9.95, 244 pages.
THE GUILTY PARTY
by Joan Lingard. Hamish Hamilton. £6.95, 148 pages.
THE MUSHROOM-PICKER
by Zinovy Zinik, translated by Michael Glenny. Heinemann, £11.95, 282 pages.
THE IDLE HILL OF SUMMER
by Julia Hamilton. Collins. £10.95, 249 pages.

WHAT A tremendous PR job Garrison Keillor has done for Lake Wobegon, that sleepy Minnesotan place where nothing ever happens, that archetypal, all-American town constructed around the church, the tomato crop, and the statue of the Unknown Norwegian, secure in the knowledge that all the best US presidents have had at least a bit of Scandinavian in them.

It is the sort of town where a car-phone is as rare as a speeding ticket, shaking hands with a Senator is a once-in-a-lifetime experience, and Myrtle Krebsbach is a local celebrity because she nearly moved to Minneapolis in 1937. A funnier place may exist in America today, but if it does, its whereabouts is a well-kept secret.

Leaving Home, the latest from the Wobegon front, is a collection of 36 short stories, originally performed live on radio between a Hawaian school choir and various episodes of *Buster the Show Dog*. No easy feat perhaps, but if the stories were only half as good on radio as they are in print, they must have brought the house down:

"I got a grip on the chicken's legs and swung it up on the block and hauled off with the axe and hit down hard and missed by two inches. I had to pry the axe out of the wood and now I was mad. I swung again and down it came dead centre *whack* and at the same time I let go and the chicken took off running. It had no head. It dashed across the yard and out in the street and was gone - I never saw a chicken move so fast. I guess without the extra weight they can really go."

Timing is all in this sort of writing, and Garrison Keillor's timing is spot-on. He writes in the tradition of Thurber and O. Henry, but with a gentle, homespun wit that is entirely his own.

Joan Lingard's *The Guilty Party* is a contemporary tale of nuclear protest. Josie, the central figure, has moved from Belfast after her father's death in the Troubles, and is living with her mother in an unnamed English seaside town, close to a proposed nuclear power station.

Though still at school, she plays a leading part in the protest movement and organises a lie-in across the entrance to the site. Boyfriend Rod is scandalised, partly because he doesn't like to see Josie picked up by the police, mostly because his father is a senior engineer at the plant. He relents after Josie gets 14 days in Holloway, and joins the vigil on the pavement outside. A nice enough story, but somehow lacks the punch of some of the author's previous work.

There's a nuclear theme again, albeit less prominent, in *The Mushroom-Picker*, by the expatriate Russian Zinovy Zinik. It is the story of Kostya, a mildly eccentric Russian gourmand, and Clea, his English wife. They met in Moscow, but live now in London, where Kostya struggles with culture shock and Clea (known to all as Nuclea because she's so boring on the subject) leads her left-wing friends on a mushroom-gathering expedition in the grounds of a British nuclear base.

There is more to it than that, of course, but this is essentially a satirical look at life in England through the eyes of a Russian who has been here since 1975 and may be presumed to know what he is talking about. Unfortunately though, he has not made the most of his material. The idea is promising enough, and he has a splendid eye for the absurd, but the narrative is shapeless in places and not always coherent. The author tends to plunge off enthusiastically down side-tracks when he would do better to stick to the straight and narrow.

The Idle Hill of Summer, by Julia Hamilton, is a first novel set in Scotland in that endless stretch of sunny weather leading up to the events of August 1914. Gerard, Master of Kildour, is an introspective Catholic convert embroiled in an eternal triangle with wife Alice and best friend Edmund. The affair is comparatively amicable, but the war nevertheless comes as a release for all three. The men go off. Only one of them comes back.

It is a traditional theme, but redeemed by the author's thoughtful approach and close attention to detail. She comes from a titled family herself and knows the form, even down to the location of a particular prep school in the early 1900s.

Nicholas Best

George Watson looks at an attempt to re-interpret the Bible for our time

Holy Writ re-vamped

THE LITERARY GUIDE TO THE BIBLE
edited by Robert Alter and Frank Kermode. Collins, £20.00, 678 pages

IS THE Bible literature? Only, as one contributor to this collection argues, if it is well written. That is a mild instance of a larger difficulty in guiding people to read Scripture in a literary way. Another notion, surprisingly widespread in academia, is that with literature it does not much matter whether it gets things right.

The editors – one an American Hebraist, the other a retired professor of English at Cambridge – imply in their joint introduction that Scripture can be read as literature if its truth-content is set aside and the sheer power of its stories left to speak for itself. Belief, in their view, does not come into it. Fundamentalism is dangerous, they argue, total repudiation merely barbarous. But the notion that we have only two possibilities here – believing or not believing – is rightly seen as crude. So they have collected chapters on single books or groups of books from the Old and New Testaments from a variety of international hands, some religious and some secular, concluding with seven general essays – including an anthropological piece by Sir Edmund Leach – and a glossary of biblical and literary terms. The whole, strictly for convenience, is based on the Authorised Version of 1611.

As the editors coolly remark, the Bible is a small body of writings Hebrew and Greek, composed over a dozen centuries on a narrow strip of land on the eastern seaboard of the Mediterranean. Not, on the face of it, much of a recipe for the greatest bestseller of the Western world of all times, and the paradox grows none the easier when you omit or elide the issue of content. We are invited, by contrast, to consider these writings less as history or prophecy than for their literary power, viewed at a distance and through the mediating instrument of a translation nearly four centuries old. And judged by that power, the influence of these writings, the editors argue, is "entirely credible" – narrative refinement and complexity justifying the fascination of 2,000 years of readers.

Well, perhaps. But in these terms, the Bible stands at a disadvantage occasionally conceded here: some of its style is plainly bad; like all those "begats", some of it disappointing as story. Job does not really hold a candle to Greek tragedy, as plays go, though some of its speeches are magnificent. And biblical scholars do not become literary critics at the wave of an editorial wand, or even two wands; the initial claim that the authors of this book "share a common critical language" is not really borne out by what they write.

Seen as a whole, the book is capricious in its emphases and unrelated in its arguments, and some of its contributors, especially those who write on the history-books of the Old Testament, sound tired and painstaking, as if they had been told off to do something unnatural. The echoing phrase is "aesthetic value" which largely means the shapes of stories. Metre is scarcely considered at all – a surprising omission in a guide devoted to literary values – and it is widely accepted that narrative aesthetic, shapely stories, is what a doubting or unbelieving age like the present really wants.

But does it? As a secular reader of scripture I have often noticed that my own interest in what the originals mean, and in whether what they mean is true, easily outstrips that of the devout, who are often content to let a much-loved translation like the Authorised Version wash over them consolingly in church.

It may be rash to suppose that believers care more about truth-content than unbelievers, or that a tradition of narrative criticism that once emanated from Auerbach's *Mimesis* (1946), a book composed nearly half a century ago, is the latest thing in narrative analysis. The new *Literary Guide* is comforting and agreeable. But much of it smells of an arrested sense of modernity and battles long ago. It is bland.

William Empson, a critic who thought Judaeo-Christianity dangerous as well as fallacious, would have made savage work, with its resolute refusal to consider what the Bible is asserting. That refusal carries with it the price of introversion, and many contributors seem to talk to themselves, or one another, rather than to the world of men. And yet, among the whiffs of old formalism that prevail here, several (to their credit) write as if aware that nothing trivializes an intellectual activity so radically as the abandonment of any interest in its truth.

Moses receives the Law, an illustration from "Biblia Pauperum" c. 1460, edited by Avril Henry (Scolar Press, £42.50, 178 pages)

CRIME

STRANGLING MAN
by Alan Hunter. Constable £8.95, 172 pages
THE SECOND TIME IS EASY
by Martin Russell. Collins. £9.95, 176 pages

MORE KNAVERY among the fishermen and villagers of Detective Superintendent Gently's beautiful East Anglian retreat – in Strangling Man. A merry widow is the cause of it all, but the merriment quickly dwindles as the corpses begin to pile up at her gate. Gently peers into the psychological nooks and crannies with his usual patience and quiet acumen, and Alan Hunter's feeling for natural surroundings. A sound, satisfying job.

Martin Russell is at his best in the domestic, bourgeois settings of The Second Time is Easy: philandering supermarket manager, patient wife, understanding mum-in-law, perky child, neighbours, friends. Murder among cups of coffee and rides to school.

William Weaver

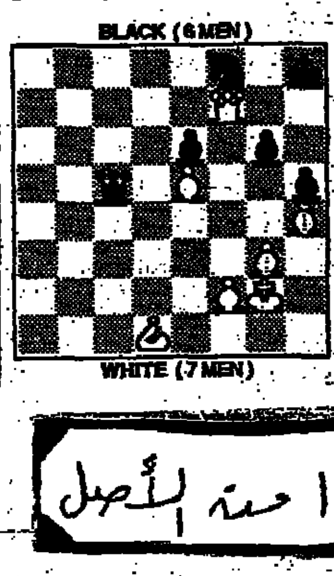
CHESS

WHAT LOOKED like a dull world championship match in Seville, with few memorable games and a long series of draws, exploded into action right at the end. The score was 11-11 with two games left when Kasparov totally miscalculated a rook sacrifice and allowed Karpov winning counter. Then in game 24 a resilient Kasparov faced a nervous Karpov with a slow, indeterminant formation aiming mainly to put the former champion well behind on the clock.

Kasparov succeeded, and his intuitive pawn sacrifice for attack just when Karpov was worried by the approaching time limit swung the game and eventually held the title. However, *Showdown in Seville* by Raymond Keene, David Goodman and David Spanier (Batsford, £6.95 paperback) demonstrates that Kasparov miscalculated at move 33 and gave Karpov a clear drawing chance.

The adjourned position in the crucial 24th game was published all round the world, and even grandmasters argued whether it was won for Kasparov's extra pawn or could be held by Karpov with reduced material. Kasparov and his aides analysed all night but could not find a clear win. But the Karpov team misjudged the position, and his weakening king's side advance finally made it sure that Kasparov would stay champion till 1990.

BLACK (6 MEN)



WHITE (7 MEN)

The account displayed in the previous column will be familiar to chessplayers who followed the match and its memorable finale, but there is a quaint postscript.

Why, exactly, did Karpov give up in the diagram above?

The Batsford authors simply state that White's bishop reaches K4 and starts consuming black pawns. A US Chess Federation release points out that Karpov could still have tried for a stalemate trap: 64...Q-Q4 ch; 65 B-B3, Q-B4; 66 B-K4, Q-R6 when 67 BxP?? allows NxB; 68 QxN, Q-B6 ch! and draws.

Kasparov could still win by 67 K-R2! Q-N5; 68 BxP, NxB; 69 QxN since 69...QxRP ch; 70 K-N2! (but not 70 PxQ??) Q-R8 ch; 71 KxQ is no longer stalemate because Black has a legal move in P-KR5.

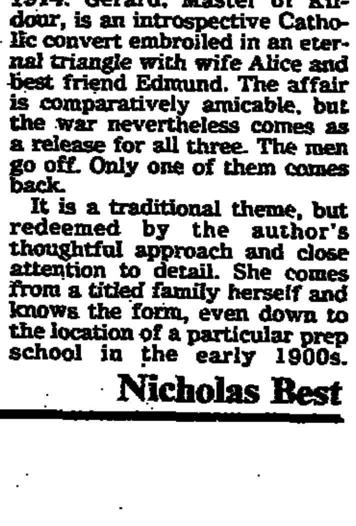
There is no doubt that if the game had reached this stage that Kasparov would have seen the trap and avoided it. But the episode is an instance of an unfortunate trend in top-class chess to resign or agree draws in positions where the conclusion is still not easily comprehensible to the ordinary playing public. If K and K had bothered to play out those few moves, they would have given added pleasure to millions of average patzers, vividly demonstrated the charm of traps in lost positions, and thus done something extra to popularise the game.

An even more glaring case of an aborted finish, which hardly any commentators have criticised, was game 16 where Kasparov resigned at adjournment, a pawn down with the inferior position, but still a long way from a forced and clear win.

As with the three previous Batsford K v K match books, the authors have produced a an entertaining and readable blend of game analyses and interesting background. One's overall impression is that the Soviet matadors, after more than 120 games, have become too familiar with each other's styles and tricks to produce mutually creative games. Karpov is the favourite for yet another try at the title in 1990, but it is really time for a change and particularly for a Western challenger. And Kasparov's relatively subdued performance in Seville will give some encouragement to potential rivals.

PROBLEM No. 706

BLACK (8 MEN)



WHITE (8 MEN)

Csom v. Masic, Vrsac 1969. Black (to move) resigned here, seeing no reasonable defence to White's threat RxP ch winning the queen. A commentator wrote "Black surrendered prematurely. He had chances to hold the position."

Who was right - the player or the critic?

Solution Page XIX

Leonard Barden

هكذا سنة للأصل

• ARTS •

Max Loppert hears an unknown masterpiece in Helsinki

Rothschild's Violin

THERE IS a prejudice abroad, widely held and shared, to the effect that neglected or forgotten operas are almost always deservedly *neglected* or *forgotten*. It's an understandable prejudice (in our revival-addicted, opera-museum age, where works of the past bulk hugely large in the schedules of opera houses, and those of the present very little, the desire to expand those schedules with rarities from the past is quite often not rewarded with success).

But it's also an unjustified prejudice, as the case of Venjamin Fleishman's *Rothschild's Violin* must bear out. This wonderful and extraordinary piece, which last weekend was introduced into the Helsinki repertory of the Finnish National Opera, deserves a moment's reflection; for after encountering this almost unknown one-acter, by a Russian composer wholly unknown to me, I am fully persuaded that it must be recognized, however belatedly, as a fully-fledged small masterpiece, and that its introduction to other Western opera houses should be delayed no longer.

The few facts easily gleaned about Fleishman (for whom there is no entry in the New Grove) come from *Testimony*, the edited memoirs of Shostakovich. Born at Leningrad in 1913, Fleishman was from 1937 Shostakovich's student at the conservatory there, and made a strong impression on his teacher with his "very sensitive spirit" and gift for writing "sad music." As a volunteer soldier the young man was killed near Leningrad in 1941, leaving behind a handful of works, among them an opera completed in piano score but not fully instrumented, and based on Chekhov's short story of the same name.

Shostakovich, who wrote in a 1942 letter "I would worry if I didn't carry *Rothschild's Violin* with me wherever I went. I love this work, and I'm uneasy in case it should get lost," completed the scoring the following year. But the work itself gained a first hearing as late as 1960, followed by a first Leningrad staging in 1968; in *Testimony* Shostakovich is recorded as regretting its neglect, and commending its "wise and Chekhovian" qualities, its total absence of "cheap effects." After Shostakovich's death its championship passed to Gennady Rozhdestvensky, who gave a Moscow concert performance in 1982, and who conducted this Helsinki premiere (he has also recorded the work for Melodiya). The Finnish performances were not the first in the West, but, according to report, those previous (in Duisburg and Lucerne) lacked impact. The impact made by the Finnish National Opera was deep and long-lasting; justice was seen and heard to be done in almost every particular.

Fleishman's own libretto cleaves close to the story, a compact, beautiful tale of small-town musicians, and of the embittered Yakov Ivanov, known as Bronze (baritone), violinist and coffin-maker, who becomes aware of impending death – first that of his neglected wife Marfa (mezzo), and then of his own. Spurred by sight of a gnarled old tree in his back yard, he begins to re-examine the world about him. Shortly before the close he decides to hand on his violin to Rothschild (tenor), the Jewish flutist of the band and previously Rothschild's perennial enemy. In a culminating passage of quite remarkable radiance he hears Rothschild's playing, and is inspired to see everything with new eyes.

A simple subject, and full of potential folky embarrassments and sticky sentimentalities: these are entirely avoided in Fleishman's music. The score is penetrated with dance rhythms; the proportioning of its sections and the shaping of its dramatic contrasts are achieved with pungent economy of means, so that the enlargement of the work's emotional range during Bronze's glorious concluding monologues is effortlessly effected. In the style of the vocal writing and the wry tonal basis of the harmonies, the opera must inevitably be deemed Shostakovian (and certainly the shrill squeal of the flutes and piccolos, the Mahlerian intensity of the strings, indicate the close artistic bond between pupil and teacher-instrumenter). But the sense of Fleishman's own natural operatic gift is what one took most strongly from the Helsinki experience; this small opera adds an important dimension to one's knowledge of 20th century Russian opera.

Baritone Esa Ruuttunen as Bronze, the violinist and coffinmaker

The production was by Georgy Ansimov of the Bolshoy, in the designs (intelligently and skilfully Chagall-like in patterning) of Anneli Qveflander. Everything about it was natural, fluent, idiomatic in gesture and timing; the dance was threaded through the action with delightful deftness. Rozhdestvensky's command of and involvement in the performance was absolute: the pit of the small Helsinki theatre may preclude a proper-sized string complement, but the passionate commitment of the playing was ample compensation. As Bronze the baritone Esa Ruuttunen (himself a priest not long ago) was dignified, eloquent in stillness, warm-voiced; Paivi Heikinheimo (Marfa) and Matti Piipponen (Rothschild), who played the violin himself, were no less moving.

The first half of this all-Russian double bill was filled by Prokofiev's early, rather toshy *Maddalena* (rediscovered by Radio 3 in 1979). It was rather less aptly staged, but no less well played and sung, with a strikingly handsome and secure-voiced heroine in Maija Lokka. As in my previous operatic visit to Helsinki (in 1979, for Sallinen's *The Red Line*), I came away enchanted by the spell of opera-as-drama in a small theatre, and full of admiration for the company that worked it.

Handel's Atalanta

THE LAST time I saw Midsummer Opera was in a back garden in Ealing. From there to a staged opera production in front of a capacity audience at St John's is a large step and there is no doubt on this evidence that the company's ambitions are running ahead of its artistic capabilities in a couple of crucial areas.

Nevertheless there were two good reasons for going to see the performance of Handel's *Atalanta* that they gave on Thursday. One, inevitably, is the work itself, which is packed with music of a originality that one could hardly expect from its stock "shepherds and courtly lovers" exterior; while the other was their laudable decision to make the evening a charity event and donate the proceeds to the Great Ormond Street Hospital.

With their likely audience in mind the production team had sweetened the pill a little. A few arias were excised and one character, the bass Nicandro, disappeared altogether. But while these changes were made with sensitivity, there was little to be said for bringing in a garrulous old shepherd to tell us the story – a noisome intrusion that was quite out of keeping with the rest of Alan Privett's production.

Drama and music alike aimed for a correct baroque style. There was some half-hearted dabbling in authentic Handelian stage gestures (always a dangerous area) and the chamber-sized accompaniment on original instruments under David Roblou was enjoyably lean and spirited. The weak link in the company lies rather with the singers and that is unfortunate in Handel, when it is precisely they who should be in the spotlight.

The generous acoustics at St John's devour unwary or inexperienced voices and a couple of the Midsummer Opera cast found themselves on the menu. The most successful was the Irene of Jenny Miller, whose deep, Clara Butt-ish mezzo cut through well in "Come alla tortorella" (what a poetic aria that is), though there was also game involvement from Brenda Meek, a light soprano Atalanta, and Lorelle Skewes as her lover Meleager.

The climax of the opera was celebrated with a display of fireworks that blazed brightly through the church windows from outside – an ingenious way of solving the perennial problem of extravagant baroque endings and a far cheaper idea, I suspect, than Handel's spectacular original apotheosis.

Richard Fairman

A tricky year ahead

The government has come up trumps and produced more money for the arts, but there are still many pitfalls for the unwary. Antony Thorncroft reports

IN THEORY everything is wonderful. The Minister for the Arts, Mr Richard Luce, turned out to be the hero and produced 10 per cent more cash for the Arts Council in 1988-89. In addition he delivered what arts companies have been pleading for for years – three year budgets, so now everyone can plan their future repertoire within known guidelines. And just to prove this is a Thatcherite Government, £5m of the extra cash is to be devoted to "incentive" funding, a reward for arts organisations that improve their efficiency by raising their money making potential.

In practice 1988 will be another tricky year for the arts. Indeed there might be more than the usual crop of headlines about this theatre company in danger of closure, and that ballet troupe forced to disband. For while the Government has been more generous than anyone anticipated with its Arts Council grant of £150m, local authorities are under severe financial pressure and many will cut their arts budgets, however minimal, in an attempt to make ends meet.

So the majority will prosper; a vocal minority will suffer. Already two Liverpool theatres,the Everyman and the Playhouse, have heard that their Arts Council grants for 1988-89 may actually be cut. This is no reflection on the quality of their productions, just of the Arts Council's disapproval of Liverpool City Council,and other Merseyside local authorities, who have failed to match its funding levels. The Arts Council's tough new attitude is that it will not keep the arts going in urban areas unless the local authorities play their part, too. Last year it was Bristol Old Vic that suffered a £70,000 cut in grant as the Council attempted to pressure mingy, philistine, Bristol City to raise its contribution to the theatre. This year the first skirmish will take place in Liverpool. Mr Luke Rittner, secretary general of the Arts Council, goes there next month for some gentle arm twisting and it is hoped he will squeeze more cash from the local authorities. If he fails two worthy theatre companies face a lower grant, and a diet of safe, populist, plays.

London is the other area which can expect a series of "arts under threat" scares. Boroughs like Camden have already announced substantial reductions in arts funding, slashing the Camden Festival and the money available for the Shaw Theatre, and although, as ever, last minute changes of heart will reduce the damage, undoubtedly this will be the year for many inner city arts groups in which the party, finally, is over. The Arts Council has made it clear it has not the resources to bail out many of them.

But what can the average arts administrator expect in 1988 from the Arts Council? Well a lot more paper work. Next month the first message goes out saying that all the one hundred and sixty directly funded clients, and the many hundreds more funded through their Regional Arts Associations, will receive, in the short term, their 1987-88 grant for another year. But this is not a freeze. As soon as they submit to the Arts Council their three year plans the Council can decide their subsidy nor only for 1988-89 but for the two subsequent years. Some groups will get increases in line with the forecast for inflation; some will get more; and some will get less. Everyone should get something.

As soon as arts groups have submitted their justifications for basic funding to the Arts Council they will have to set to and, by September at the latest, make their case for a slice of the £5m now in the kitty for "incentive" funding. It is clear that plans by arts companies to raise extra cash by developing business sponsorship will not be regarded as a qualification for a grant: the Arts Council is anxious not to clash with the Business Sponsorship Incentive Scheme, operated by the Association for Business Sponsorship of the Arts with £3m of Government cash. But if a money making shop can be added to a theatre or concert hall; or plans devised to computerise the box office; or a merchandising drive assembled; or a subscription scheme developed, an arts group can expect the Council to forward more cash, up to £200,000, on the basis of one pound from the Council for every two the company raises through its own efforts.

There are still many grey areas. What if the scheme fails: can the Arts Council really ask for its money back? If an arts group gets a lower than inflation increase in basic grant for 1988-89 can it still expect "incentive" money? Will one Arts Council budget be raided to supplement the other? Will the management consultants being hired to run pilot schemes in the summer know enough about the arts to be worth their fees? And should arts groups labour under so much additional paperwork? Rather surprisingly, beneath all this bureaucracy, there are hopeful signs for the arts in 1988. Mr Richard Luce designated some of his extra aid for touring and next month the Council will announce its £200,000 investment in a drama touring company which should be on the road by the autumn. What with Peter Hall's move into the commercial theatre, which will include touring, and the English Shakespeare Company now well established, all those spanking new provincial theatres, like the Theatre Royal in Newcastle, the Alhambra in Bradford, and the Mayflower in Southampton will be well filled.

This could be the year when the regions receive another boost, with Birmingham, which appreciates what higher arts spending can do for local regeneration, likely to be the new home for Sadler's Wells Royal Ballet. There will be more opera performances in the provinces, thanks to the extra touring cash. In London the Royal Opera House Covent Garden seems to be entering an era of stronger leadership, and the South Bank Centre, spun off from the Arts Council to perform as an autonomous unit,should be in a position to conclude a deal which sets up its house orchestras.

But if the arts generally are in a better state than ever in the past there will still be the individual companies, especially in the inner cities, that face a bleak future. They can expect little comfort from Mr Luce, although he has been alerted to their plight, and the Arts Council is now directing its lobbying towards Mr Kenneth Clarke, the supremo of the inner cities. If he can be persuaded that some of his resources should go to job creating, life enhancing,arts activities in Tower Hamlets, Toxteth, and Handsworth it is just possible that the arts may get through 1988 without bothering sensationalist news reporters one jot.

Records

Gershwin revisited

Pen and ink sketch of George Gershwin, by himself

RECORDINGS OF the music of George Gershwin have been made fairly continuously since his death from a brain tumour at the age of 38 in 1937. His reputation has not remained static during that time however. You can see the change that has occurred to Gershwin's standing in the musical world by comparing the discs, *Ella Fitzgerald Sings the George and Ira Gershwin Song Book* (Verve 1959, still available) where the music was arranged and conducted by Nelson Riddle, and the whole masterminded by the jazz impresario Norman Granz, with *Kiri Sings Gershwin* which dates from 1987 and was one of the concerts and recitals given to mark the 50th anniversary of his death.

The conductor John McGlinn, working with an American band has returned to the original orchestrations, not all of them by Gershwin. He has rediscovered one song, "Meadow Serenade," thought to be lost, which has never been recorded before. This is a stylish, lively record that must have made an ideal Christmas present. The question does remain: is it really Gershwin?

These songs have their origin on Broadway in the context of pre-war American musical comedy. The irony is crucial. ("He's a big affair/ Haven't met him yet"). When sung by an operatic soprano such as Dame Kiri (or a mezzo such as the American Joan Morris, with piano accompaniment on the 1978 Nonsuch record) they suffer from what I can only call an excess of respectability. Glad as I am to add this elegant record to my Gershwin collection, I confess to a vulgar preference for, say, Liza Minnelli belting out "The Man I Love" or Gertie Lawrence, its first interpreter, wringing both humour and pathos out of "Someone To Watch Over Me".

The music and texts of several lost Gershwin songs and orchestral works have recently been recovered. Indeed an era of Gershwin musicology and research has dawned with exciting repercussions in the recording studio and concert hall. With the blessing of the late Ira Gershwin, George's brother and lyricist, scholarly performers have combed the Gershwin Collection in the Library of Congress and the additional material (including the orchestral scores for the shows *Tip-Toes*, *Primrose* and *Oh, Kay*) which turned up the other day in Warner Bros music warehouse in Seacaucus, New Jersey.

John McGlinn has made use of this in his selection of *Gershwin Overtures* where, as in the Kiri record, he conducts The New Princess Theater Orchestra. I possess a precious if muffled mono-record of the original cast of *Primrose* in London in 1924 with Heather Thatcher and Leslie Henson, but it does not include the overture. Now I get this overture with those of other shows of this period from McGlinn, and music from the film *A Damsel in Distress*, in a record engineered to do full justice to the orchestral arrangements.

This recent scholarly approach to Gershwin should help to settle some vexed questions of orchestration. In his early days a more experienced arranger would often take over the orchestration of Gershwin's work. At that time it was not uncommon for a musical show to be orchestrated by someone other than the composer.

In the case of *Rhapsody in Blue*, Gershwin scored it, in the haste of composition to meet his deadline for Paul Whiteman, as a two-part piano composition with the orchestral part on one piano and the solo piano on the other. It was thus handed to Whiteman's regular arranger Ferde Grofé who orchestrated it for the Whiteman band in the form in which it received its first performance at the Aeolian Hall, New York, in 1924. *Later* Grofé made a version for a full symphony orchestra. It is this version we usually hear, on such discs as *Gershwin's Greatest Hits* (CBS Harmony) where it is played by the Columbia Symphony Orchestra with Leonard Bernstein.

Now suddenly we have two recordings to compare of the original "jazz band" version – one from Andrew Litton conducting and playing the piano with the RPO recorded live on *Gershwin Gold*, and the other from Michael Tilson Thomas also conducting and playing the piano, with the Los Angeles Philharmonic. Both are strong confident interpretations sensitive to the composer's frequent gear-changes and glissandi. To my ear, Tilson Thomas just has the edge when it comes to the authentic Gershwin sound.

Litton though has a fine scoop in his second item, the *Songbook*, by which he means not the assembly of numbers made by popular artists like Ella Fitzgerald, but an actual book in which Gershwin wrote down improvisations he performed of his songs privately at parties. Blanchine commissioned the American composer, Hershey Kay, to flesh them out as a full-length score, resulting in the ballet *Who Cares?* first performed by the New York City Ballet in 1970. It is this music which Litton has resuscitated and given its first recording. Together with the *Rhapsody* and four songs which Kay left out, the record makes a valuable addition to the Gershwin repertory.

But it is Tilson Thomas who is Gershwin's most industrious and persuasive advocate. Thomas caught the Gershwin fever as a child. His own father was taught piano by George and as a boy Thomas breathed the Gershwin atmosphere from his uncles who played his music incessantly. He has recovered and recorded the lost orchestral parts of the *Second Rhapsody for Orchestra with Piano*, which began life as film music and is full of those mimetic *effects, a train leaving a station*, rivets being driven into a building, which Gershwin loved to include and Thomas brings out to the full. He has a number of other scoops on this record, *For Lily Pons* and *Sleepless Night*.

It was abundantly clear from a Michael Berkeley interview on Kaleidoscope last year, *An American in London*, when Thomas spoke of Gershwin in the same breath as Debussy, Ravel, Schoenberg and Berg, that we shall be hearing even more of Gershwin now that Thomas has been appointed to the LSO. Meanwhile his latest Gershwin recording in America is of two musicals, *Of Thee I Sing* and *Let Them Eat Cake*, from those fertile years 1931 and 1933, whose scores he has rescued from oblivion. These two related shows stand roughly half way between Gershwin's early British, Guy Bolton/ P.G. Wodehouse period and the late glories of *Porgy and Bess*. The first, in which an American Presidential contest becomes muddled with a Beauty Contest, was a hit; the second where a totalitarian regime threatens this cloud-cuckoo-land was not. You go in at one end heavily reminded of Gilbert and Sullivan and come out the other thinking of Sondheim. Numbers like "Love Is Sweeping The Country", "Some Girls Can Bake A Pie", "Mine" and "No Comprenez, No Capish, No Versteh" well deserve such an impeccable and enjoyable second time around. These records prove that the Gershwin revival still has plenty of steam. As the master nearly said, how long will this be going on?

Anthony Curtis

Kiri Sings Gershwin
Dame Kiri Te Kanawa with John McGlinn (conductor) and The New Princess Theater Orchestra. EMI 7 47454 2

Gershwin Overtures
John McGlinn and The New Princess Theater Orchestra. EMI 7 47977 2

Gershwin Gold
Rhapsody in Blue and The Gershwin Songbook. Andrew Litton (piano/conductor) and The Royal Philharmonic Orchestra. RPO 8008

Gershwin 1920s and 1930s
Rhapsody in Blue and other works. Michael Tilson Thomas and The Los Angeles Philharmonic. CBS MK 39699

Of Thee I Sing/ Let Them Eat Cake
The Brooklyn Academy of Music presents Michael Tilson Thomas (conductor) New York Choral Artists, Orchestra of St Luke's with Maureen McGovern, Larry Kert and Jack Gilford. CBS F2M 42522

Radio

The Magician's Nephew casts its spell

MORE EXCITING than any thriller on Radio 4's Saturday-Night Theatre was the broadcast for schools at 10.20 am on Thursday, Brian Sibley's adaptation of C.S.Lewis's *Tales of Narnia*. This is going out in 10 parts, the first five as *The Magician's Nephew*, the second as the better-known *The Lion, The Witch and the Wardrobe*. Transmission is on FM only. I suppose I ought to have read these stories before, but they were published at the wrong time of my life, and Lewis's semi-religious SF was as near as I got.

In the first instalment, a boy and a girl of about ten have already been sent by an uncle to an unknown world, from which they proceed to another world before coming home in case they are late for tea. The story is partly narrated by Robert Eddison as the boy grown-up, but mostly played in dialogue with Simeon Pearl as Digory the boy, Rowena Snaith as Polly the girl and Maurice Denham as the uncle-magician, all of them very likeable indeed. The director is Geoff Marshall-Taylor. Half of the notes I took were followed by exclamation-marks to denote my surprise or simply my delight. On long-wave you have the Natural History Programme, but you can hear that repeated on Sunday.

The Saturday-Night Theatre was a play called *Miss High Heels* by Rob Gittins, an everyday thriller about drugs, murder and policemen in trouble, which used the four-letter word s--t more often than everyday (on radio, anyway). It was interestingly directed on location in Cardiff by Adrian Mourby, but was not very interesting in itself. The Saturday night plays have been rescheduled from 7.00 pm to 7.45.

Lord's Day marks a harmless outbreak of class-consciousness on Radio 4, where 15-minute features on Saturdays reveal that well-born people are capable of ordinary work. Lord Teviot was a bus-conductor before he succeeded, and still speaks on behalf of transport-workers in Their Lordships' House when an occasion arises. Lady Emma Curzon, sister of Lord Howe, has been a nursing sister. Tonight you may hear about the motor-engineering (and driving) abilities of the Duke of Hamilton. The snag with this approach, as presented by Margaret Howard, is that a peer on the radio sounds much like anyone else.

This is not a snag that will apply next week, when Radio 3 will celebrate the 200th anniversary of the birth of Lord Byron, culminating in a production of *Manfred* with the Schumann incidental music. This will star Ronald Pickup, whose readings from *Don Juan* have been repeated at intervals throughout the past fortnight.

A middle-class family of interest was the subject of *Sisters to Fame* (Radio 4, Tuesday), devised by Susan Hill. The four sisters Macdonald, daughters of a Methodist minister, married Burne-Jones, Edward Poynter and the respective fathers of Stanley Baldwin and Rudyard Kipling, and they wrote frequent, good letters to one another. Agnes was rather neglected by Poynter, who was busy becoming PRI. Louisa felt lonely at the Baldwin home in Worcester. Young Rudyard Kipling, whose parents went to India and left him in unsympathetic hands, stayed with Georgina and the Burne-Joneses every December (where he could have met Wilde). It was interesting to hear of his "screaming ill-temper" and the "lawless" ways of himself and his sister.

Radio 4, with whom I have spent almost *all* the week, is giving a series of short stories, *Caribbean Drift*, about black experience in Britain. I heard *Sunday School* by Ruel White, born in Montserrat, brought up in England. Mr White read his own story, and I found, as always, a special pleasure in hearing a black voice tell of black life in an English provincial accent. Racist of me, no doubt.

B.A. Young

Chess No. 706.

Both were wrong. Black wins by 1...R-K8 ch and if 2 K-N2, N-B3; 3 RxP, Q-K5 ch; 4 P-B3, Q-B7 ch; 5 K-R3, R-R8 ch; 6 K-N4, Q-B4 mate. If 2 K-R2, N-B6 ch; 3 K-N2, R-N8 ch; 4 K-R3 (KxN, Q-K5 mate), R-R8 ch; 5 K-N2, R-R7 ch; 6 K-B1, Q-K8 mate.

Company Notices

RE: BANQUE INDOSUEZ

US$ 150,000,000 Floating Rate Notes Due 1990

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from January 15, 1988 to July 15, 1988, the Notes will carry an interest rate of $7^{9}/_{16}$% (including the margin of ¼%). The coupon amount so calculated will be US$ 197.48.

CREDIT NATIONAL

ECU 175.000.000

Floating Rate Notes Due 1995

For the period January 15, 1988 to April 15, 1988 the notes will carry an interest rate of 6⅞% per annum with an interest amount of ECU 173.78 per ECU 10.000 note and of ECU 1.737,85 per ECU 100.000 note.

The relevant interest payment date will be April 15, 1988.

Banque Paribas (Luxembourg) S.A.
Agent Bank

WEEKEND FT

SPORT

Tennis/John Barrett

Australia set fair for advance

THE WHOLE of sporting Australia boasts about it. The 100,000 paying customers who have sat in it this first week have enthused about it. The hordes of overseas visitors in town for the A$2.7m Ford Australian Open are knocked out by it. Even the seagulls who sit on the edge of the vast 700-ton sliding roof with their chests puffed out seem proud of it. Yes, the Centre Court at Tennis Australia's new A$80 million National Tennis Centre in Flinders Park, Melbourne has caused quite a stir – even among the corps of journalists who travel the international circuit.

When a light drizzle caused the roof to be closed on Tuesday night, shortly before the start of play – a tedious 25-minute operation this – it meant that Etsuko Inoue of Japan would become the first player to win an indoor match in a Grand Slam Championship. She beat the promising Czech girl Jana Novotna 7-6, 6-4. For the record Mats Wilander, the No.2 seed from Sweden, was the first male winner indoors when he beat Richey Reneberg, the Association of Tennis Professionals' Newcomer of the Year for 1987, 7-6, 6-1, 6-3.

Without doubt the NTC is a magnificent concept that has been executed brilliantly. Brian Tobin, the President of Tennis Australia, has been the motivator who has pulled the strands together over the past five years. The government of Victoria which has funded it, architects Peddle Thorp and Learmonth, Civil and Civic which constructed it in 23 months, the NTC Trust which controls overall policy, Tennis Australia which manages it, the unions engaged in various aspects of construction and operation, all have co-operated to provide Melbourne with what is simply the world's finest tennis facility.

Besides the 15,000 seat centre court that will double as an entertainment centre during the remainder of the year – it is air-conditioned when closed – there is a no.1 court that seats 6,000 spectators and a no.2 court where 2,000 can sit comfortably in individual, moulded seats. Having sampled the views from various parts of all three stadiums I am more than ever impressed. The sight lines are perfect. It is a joy to watch the play from any vantage point.

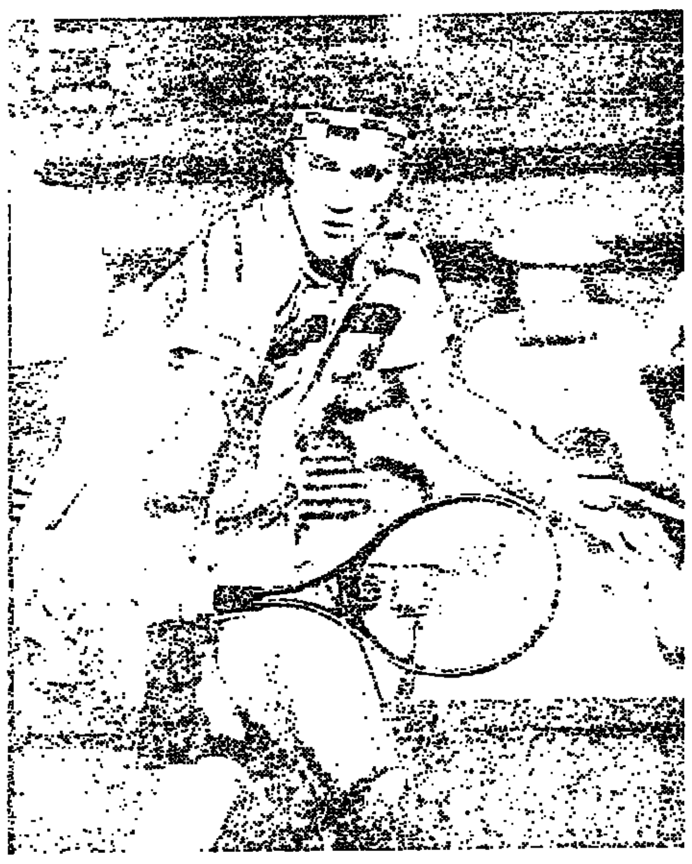
Beyond the building that houses the five indoor courts, used for practice this year, there are 18 additional courts, all with floodlights. These will become the practice courts when the site extends across adjacent railway sidings to provide a further 22 courts and several piazzas for the comfort of the general public. The glass-sided centre court building rises majestically, a low, wide, curving symmetry of grey and lime-green, atop a grassy mound across Batman Street from the Yarra River. It is situated not five minutes from the centre of the city and the other side of the railway tracks from the Melbourne Cricket Ground. Around the court, at a lower level, there are dressing rooms, offices, and restaurants for all the groups concerned in the running of a major championship.

Before the tournament began no-one was sure how the players would react to the new Rebound Ace court surface and the Korean-made Nassau ball that is being used here for the first time. The resilient courts, made from granulated car tyres covered with a plastic layer, have had a generally favourable reception. Some players find the bounce too high for comfort, others complain of excessive traction. Clearly a smooth-soled indoor shoe is preferable to the patterned soles normally used on asphalt or cement. All agree that in the full heat of the day – we regularly have temperatures over 100F – the surface is unbearably hot.

The problem with the ball seems to be inconsistent compression. Several have been thrown out on that score. The excessive fluffing-up of the cover which Pat Cash complained about in practice does not seem to have worried other players.

However, Cash senior's complaints about the way Tobin has handled the apartheid demonstrators (protesting about his son's appearance in the Johannesburg tournament last November) has astonished everyone. Cash has enough pressure to face as the reigning Wimbledon champion of whom so much is expected here, without the added worries surrounding this political issue.

On the court there is an unmistakable feeling that, at last, Australian men's tennis is on the rise. The combined effects of the new facility, Cash's Wimbledon win and a well-planned development programme – 400 squads nationwide in the McDonalds scheme masterminded by former champion John Newcombe – have brought a new wave of confidence.



Pat Cash: has enough on his plate as reigning Wimbledon champion without political worries

For the first time for some years seven Australian men went through to the third round of the singles: Cash, seeded 5; Paul McNamee, who Cash beat yesterday to mark his retirement from the professional tour; Wally Masur, who reached the semi-finals last year after beating Boris Becker (absent, injured this time); John Frawley; Mark Kratzmann; Mark Woodforde and Jason Stoltenberg.

This represents almost a quarter of the field and, although Cash is the only one with a realistic chance of winning the title, there are some talented performers here who should make further progress in the game. Frawley, a stocky Queenslander with heavy groundstrokes, looked immensely impressive in putting out the No.11 seed Peter Lundgren of Sweden 6-1, 6-3, 6-3.

Kratzmann's 4-6,6-3,6-1,6-2 demolition of Paolo Cane, the Italian who so embarrassed Lendl at Wimbledon last year, was equally impressive. Perhaps, at last, the former World Junior Champion will begin to fulfil his undoubted potential. Stoltenberg is the present World Junior Champion and, like his victim in the second round Todd Woodbridge (who is also his doubles partner), Jason is showing the benefit of two years at the Australian Institute of Sport in Canberra.

Woodforde, a 22-year-old left-hander from Adelaide who is coached by Barry Phillips-Moore and advised by Bob Carmichael on the BP Achievers squad, has a beautifully balanced game which lacks only a little more bite, as tournament favourite Ivan Lendl proved yesterday. Increasingly, it is clear that this surface is made for Lendl's powerful game. The bounce is fast enough and high enough for him to make his winners but slow enough for him to reach all but the fiercest drives. Since he is the hardest hitter in men's tennis that suits him fine.

Defending champion Stefan Edberg of Sweden, who is ranked no.2 in the world behind Lendl, had three of his favourite rackets stolen from the stringer's room in mid-week. This misfortune may affect him more than it should for he is not timing the ball well yet and is not kicking the ball as high on his second service as we thought he would.

However, Edberg's compatriot Mats Wilander, the no.3 seed who is in the same half, is looking increasingly sharp. With his semi-Western forehand and his much-improved backhand slice that he uses as an alternative to his lethal two-hander, he can deal with the high bounce most effectively. He is moving well and serving particularly well, too, and therefore is able to exploit the new conditions better than most.

The conditions are equally suitable for the top-seeded woman, Steffi Graf. The bullets that the 18-year-old West German is firing on the forehand side will surely mow down everything in their path. She has chosen to miss the last two Australian Championships and had a damaged thumb the last time she played here, in 1984, when she lost in the third round to Wendy Turnbull. However, then she was merely a promising 16-year-old. Now she is the World Champion.

Although Miss Navratilova did achieve one of her two victories over Steffi on similar courts in the US Open final last September, the young West German was not well that day and did not produce her best form. Martina is talking herself back into a winning mood after her November defeat at the hands of Gabriela Sabatini, the 17-year-old Argentinian who is not challenging here this year.

The defending champion, Hana Mandlikova, who became an Australian citizen on January 1, has had an erratic season and will be hard-pressed to retain her title.

Soccer/Brian Bolien

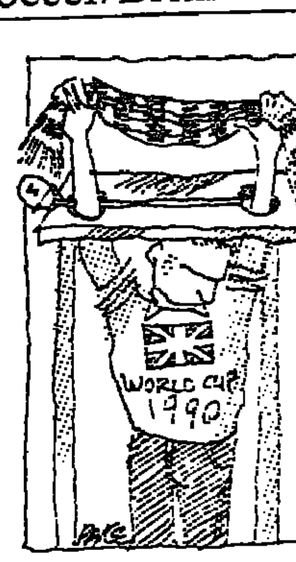
SOCCER'S CUP runneth over. Already this month we have seen the FA Cup, the FA Sunday Cup, the FA Youth Cup and the Scottish Cup. Still to come are games in the Littlewoods Cup, the FA Trophy and the FA County Youth Cup. March sees the resumption of hostilities between European clubs, and May the Rous Cup, invented to confer an air of importance on the meaningless and dreadfully boring annual joust between Scotland and England.

June brings the European Nations Championships. Confronting each other in Group Two will be the British Isles' two teams, much-improved England and the multinational Republic of Ireland, more renowned for its inventiveness with genealogies than its footballing success. The joke is that the letters FAI stand not for Football Association of Ireland, but for Find Another Irishman. Notable finds in recent years include Lancastrian Mark Lawrenson, Scouser John Aldridge, Glaswegian Ray Houghton, and West Ham-born Chris Hughton. Their manager, Jack Charlton, has little trace of a brogue either. Real Irishmen like David O'Leary can hardly get a look in.

Perhaps the most over-used cliches in the English language relate to the FA cup. For a while at least, the everyday scramble for league points can be forgotten, and the lowliest can dream of defeating their betters. Club treasurers, too, dream of profiting handsomely from a cup run. But "the magic of the cup" was conspicuous by its absence last Saturday. There were no genuine shock results and only Sutton Utd kept the non-league flag flying, by drawing at home to Middlesbrough, before losing 1-0 in the replay.

Before the third round matches, and the two games it required to beat second division Stoke by a single goal, Liverpool were firmly installed as favourites to lift the cup, and become the first club to do the league and cup double. This looks premature. The Anfield machine will probably continue to sweep all before it in the league. But the cup sprint requires a different approach to the league marathon. Patience matters less than passion, artistry less than adrenalin.

Liverpool have a splendid record in two-legged cup matches, but seem to lose their way slightly in oldfashioned one-off cup ties. Their only defeat so far this season was at the hands of neighbours Everton, in the third round of the Littlewoods Cup, the first sudden death stage. Liverpool were harried out of their rhythm and the competition in a way which suggests the new team is not yet a cup winning side. Even before the winter's sport gets properly under way, football is already looking ahead to the summer of 1990 in Italy.



The cup runneth over

The four-year gap between World Cups once seemed an eternity. Now, like Christmas, the tournaments seem to come and go impossibly quickly. The draw for the qualifying stages of the 1990 competition took place in Zurich on December 12. It was a protracted affair, so stage managed as to suggest that the word random has been deleted from FIFA's vocabulary.

The draw might have been designed to minimise the impact of England's "mindless minority" of hooligan fans. Only the most insane would attempt to run amok in Poland or Albania, only the wealthiest could get drunk enough in Sweden to cause trouble. England have drawn a tricky group. The Albanians may be stuck in a time warp, but they are capable of pinching points at home. In a group where only the winner qualifies as of right, that could be decisive.

The great levelling out at international level continues and neither Sweden nor Poland should be regarded as a push-over. Poor Wales have drawn the short straw yet again, landing in a group which includes West Germany, who have never missed the final stages since 1954 and have reached the final five times, winning twice, and Holland, runners-up in 1974 and 1978. Wales, on their track record, will probably perform heroics in taking points off those two, only to blow it against Finland.

Jack Charlton is philosophical about the draw, in which the Republic of Ireland were seeded as a fourth class nation. "We were going to have tough teams whatever group we got," he says. "This gives us as good a chance as any. We're not at all unhappy, especially in a group of five.

"It'll be the tightest group. Hungary and Spain and Northern Ireland are all capable of getting results against one another. I can't really see anyone running away with it, except us."

Scotland's national coach Andy Roxburgh is anxious to correct the assumption that Scotland's group an easy one. "I think the draw's good in that we're going to places which don't involve us in exceptional weather, travel or political difficulties," he explains.

"We're also happy that the draw gives us an even chance. We can't ask for any more than that. France and Yugoslavia, and Norway to a lesser extent, will all feel they have a chance. Being in a five-team group means things are very straightforward. If you're second you're in. The whole thing is in our hands."

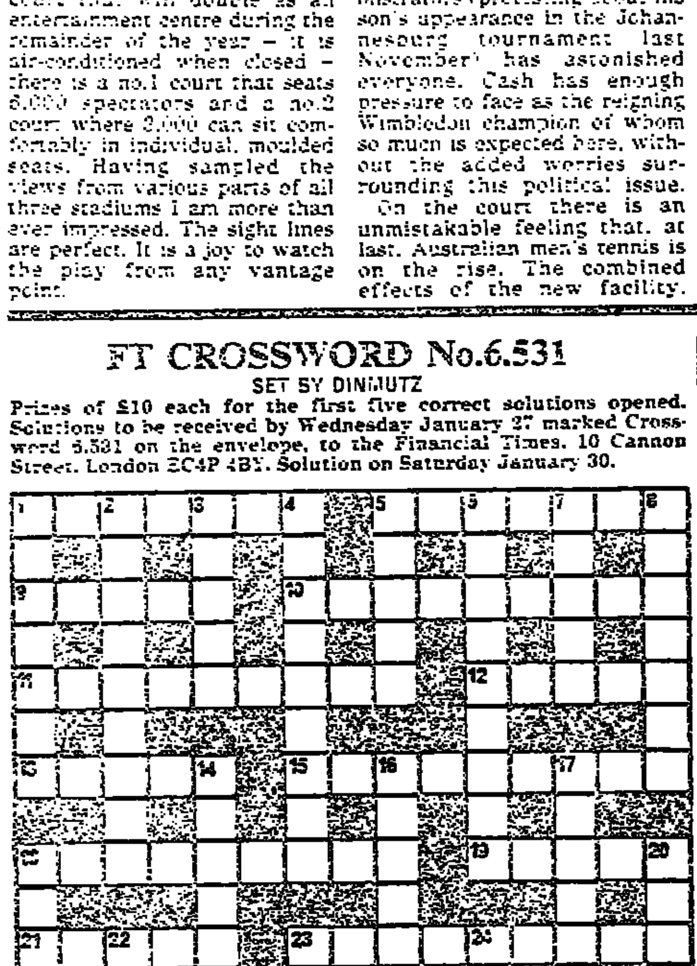
Scotland's reputation is recovering from the disasters of the European Nations qualifying matches. Selection remains inconsistent, not by choice but by circumstances, and this affects performance. "On our day we're capable of playing against the best," says Roxburgh. "We were the first team to win in Bulgaria for five years, and we beat Belgium, World Cup semi-finalists, but we can also lose to the worst.

"There are other very talented players in the pipeline, but whether they will mature quickly enough for this campaign is another question. The French had too many superstars who grew old overnight. We're in exactly the same boat."

FT CROSSWORD No.6,531

SET BY DINMUTZ

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday January 27 marked Crossword 6,531 on the envelope, to the Financial Times, 10 Cannon Street, London EC4P 4BY. Solution on Saturday January 30.



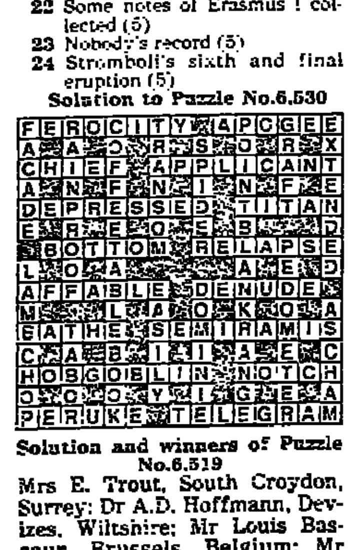
ACROSS

1 Explosive device, possible danger to earth (7)
5 Having a form, like some bass parts (7)
9 Missouri tea or strong coffee (5)
10 Mercy! This brew stinks (9)
11 Amorous alliance in which one fails to score (4,5)
12 Church division? (5)
13 Moving arm to and fro (5)
15 Vote against seven at table (9)
18 Set thrown about in this passage (9)
19 Archers' scores? (5)
21 Comprehensive work of high season, say (5)
23 Player's target – English River Authority? (9)
25 Strong train-sets going around (9)
26 Spirit of Tess's husband (5)
27 Transparently displaying endless fortune in vain (7)
28 Colonist who stumps up (7)

DOWN

1 Good opening by stroller and punter (7)
2 Digger like Clementine's father (9)
3 Panic among national armed forces (5)
4 X – celibate sort, edgy (9)
5 Novel from French, she translates (5)
6 Old cat showing broad smile, having swallowed a milk-shake (9)
7 Censures local levies (5)
8 Barren place of confinement for battery (3-4)
14 Made ready for the night? (9)
16 Air T-shirt incorrectly – this trouble could result (9)
17 Red port for Michael? (9)
18 Breathing space below the bridge (7)
20 His seat is a put-up job (7)
22 Some notes of Erasmus ! collected (5)
23 Nobody's record (5)
24 Stromboli's sixth and final eruption (5)

Solution to Puzzle No.6,530



Solution and winners of Puzzle No.6,519

Mrs E. Trout, South Croydon, Surrey; Dr A.D. Hoffmann, Devizes, Wiltshire; Mr Louis Bascour, Brussels, Belgium; Mr R.H. Lowres, Brenchley, Kent; Mr A.W. Yates, Petts Wood, Kent.

SATURDAY

TELEVISION AND RADIO

†Indicates programme in black and white

BBC1

8:20 am Roobarb. 8:25 Saturday Starts Here. 8:40 Roland's Rat Race. 9:05 Kissyfur. 9:30 Going Live! 12:12 pm Weather. 12:15 Grandstand including 12:20 Football Focus; 12:45 Ascot Racing, 12:55 News; 1:00 Rugby Union preview; 1:15 Ascot Racing; 1:25 Skiing; 1:45 Ascot Racing; 1:55 Rugby Union (France v England) and at 3:30 Ireland v Scotland (2nd half); 4:10 Football (latest news); 4:15 Skating (Men's Free European Figure Skating Championships); 4:40 Final Score.

5:05 News. 5:15 Regional Programmes. 5:20 Rolf Harris Cartoon Time. 5:45 Jim'll Fix It. 6:20 Hi-De-Hi. 6:50 Bob's Full House. 7:25 The Paul Daniels Magic Show. 8:10 Bergerac. 9:05 News and Sport. 9:20 Cagney and Lacey. 10:10 Carrott Confidential. 10:45 Sports Special including Football (highlights of one of today's matches), World Darts (second semi-final of the Embassy World Professional Championship); 12:30 am Men's Free Programme from the European Figure Skating Championships plus round-up of the rest of the day's sporting news.

BBC2

[illegible]

LONDON

6:00am TV-am Breakfast Programme. 9:25 7T3. 11:00 Terrahawks. 11:30 The Roxy. 12:00 pm The Fall Guy. 1:00 News. 1:05 LWT News followed by Saint & Greavsie. 1:35 Wrestling. 2:15 Comedy Classic: Nearest & Dearest. 2:45 Ice Skating. 4:45 Results Service. 5:00 News. 5:05 LWT News followed by Walt Disney Presents.

5:20 Blockbusters. 5:50 The A-Team. 6:45 Catchphrase. 7:15 "Sheena – Queen of the Jungle". 9:20 News and Sport. 9:35 LWT Weather. 9:40 Aspel & Company. 10:25 The World According To Smith & Jones with Mel Smith and Griff Rhys Jones. 10:55 "Sweeney 2" starring John Thaw and Dennis Waterman. 1:00-4:00 Night Network.

CHANNEL 4

9:25 am Old Country. 9:55 Moneyspinner. 10:25 Scotland's Story. 10:55 European Figure Skating Championships. 11:35 Dancin' Days. 12:25 pm World of Animation. 1:00 The Other Emerald Isle. †2:00 "Gabriel Over [illegible] ... Mifune. 11:50-1:35 am Film: "The Saga of Anatahan".

S4C WALES

[illegible] Papers Say. 11:00 Mavis On 4. †11:30 Time To Remember. 12:00 pm Scotland's Story. †12:30 Film: "Little Miss Broadway" starring Shirley Temple. 1:55 Rygbi Rhyngwladol (Firainc v Lloegr). 3:45 Bert Hardy's World. 5:00 What On Earth is Going On? 6:00 Right To Reply. 6:30 An Idea of Europe. 7:00 Young and Old. 7:30 Newyddion. 7:50 Ffilhach. 8:20 Awyr Las. 9:25 Y Maes Chwarae. 10:30 The Golden Girls. 11:00 Late Night with David Letterman. 11:50 Barney Miller. †12:20 am Film: "Taste of Fear". †1:50 "Seven Keys".

IBA Regions as London except at the following times:

ANGLIA

12:00 pm America's Top Ten LP's of 1987. 12:30 Easy Street. 1:05 Anglia News. 5:05 pm Anglia News, Sport and Weather.

BORDER

12:00 UFO.

CENTRAL

11:00 am Film: "Press For Time" starring Norman Wisdom. 12:50 pm Cartoon Time. [illegible]

GRANADA

12:00 pm Streethawk. 2:15 A.L.F. 10:55 Star Movie: Audrey Hepburn in "Bloodline". 1:30 am Hunter. 2:25 America's Top Ten.

HTV

12:00 pm A.L.F. 12:30 America's Top Ten. 10:55 pm Rugby (Gloucester v Wasps). 11:50 "Sweeney 2". 1:50 am Sledge Hammer. HTV WALES: Same as HTV West except:10:55-11:50 pm Magnum.

SCOTTISH

11:30 am America's Top Ten. 12:00 pm Knight Rider. 12:30 Terrahawks. 12:55 am Late Call.

TSW

11:30 am The Greatest American Hero. 12:25 pm Gus Honeybun's Magic Birthdays. 12:30 The South West Week. 2:15 Gardens For All. 5:05 Newsport. 5:10 Walt Disney Presents. 12:55 am Postscript.

TVS

[illegible]

ULSTER

[illegible] "Rawhide" starring Tyrone Power and Susan Hayward. 1:03 Ulster Newstime. 4:55 Sports Results. 5:03 Ulster Newstime. 5:37 Ulster Newstime. 10:55 Magnum. 11:50 Newhart. 12:15 am Ulster Newstime.

YORKSHIRE

11:00 am The Roxy. 11:30 Small Wonder. 12:00 pm The Man From U.N.C.L.E. 12:56 am Jobfinder.

RADIO

Stereo on VHF

BBC RADIO 2

8:00am News. 8:05 am David Jacobs. 9:00 Sounds Of The 60s. 10:00 Anne Robinson. 12:00 Gerald Harper. 1:00 pm Inman and Friends. 1:30 Sport On 2 including Football, Rugby Union (France v England and Ireland v Scotland) plus the rest of the day's sporting news; 5:00 Sports Report. 6:00 The Press Gang. 6:30 Juke-Box Saturday Night. 7:00 Beat The Record. 7:30 Gala Concert. [illegible]

BBC RADIO 3

[illegible] the Proms 87. BBC Symphony Orchestra with Rodney Friend (violin). Tchaikovsky (Nutcracker Act 2). 3:30 Interval Reading. 3:35 Prokofiev (Violin Concerto No1), Shostakovich (Suite: The Bolt, excerpts). 4:15 Clarinet and Piano Recital by Nicholas Cox and Vanessa Latarche McCabe, Jonathan Lloyd, York Bowen. 5:00 Jazz Record Requests. 5:45 Critics' Forum. 6:35 Music for Four Hands. 7:30 "L'Infedeltà Delusa" (performance of Haydn's opera in Italian conducted by Sigiswald Kuijken, who talks to Michael Oliver during the interval). 9:40 Don Juan (Ronald Pickup reads Byron). 10:10 Camden Jazz Festival Concert recorded last April featuring the music of Thelonious Monk; (11:00-11:10) Steve Lacy and Charles Fox discuss Monk's music. 12:00-12:05 am News.

BBC RADIO 4

7:00 am Today. 8:00 News. 8:05 Sport On 4. 9:30 Breakaway. 10:00 News: Loose Ends hosted by Ned Sherrin. 11:00 News: The Week in Westminster. 11:30 From Our Own Correspondent. 12:00 Money Box. 12:25 pm Best of British. 12:55 Weather. 1:00 News. 1:10 Any Questions? 1:55 Shipping Forecast. [illegible]

SUNDAY

[illegible]

John Swinfield (second left) presents the Stocks and Shares Show on Channel Four tomorrow at 8.15pm

هكذا في الأصل